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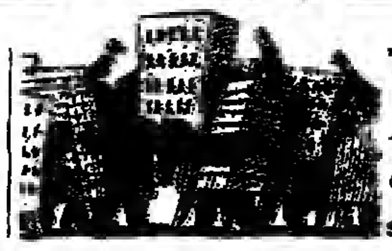

Today's surveys
Europe's most respected companies; Gibraltar
Separate sections

World Business Newspaper http://www.FT.com WEDNESDAY SEPTEMBER 24 1997

WORLD NEWS

Serbia's ruling Socialists concede loss of majority

Serbia's ruling Socialists conceded they lost their parliamentary majority in Sunday's elections. There was a surprise increase in support for the ultra-nationalist Radical party, which repeated its desire to annex most of Croatia. Page 14

French defence targeted
French finance and industry minister Dominique Strauss-Kahn will unveil a 1998 budget in which the main casualty is likely to be the FFr85bn ($14.4bn) defence procurement budget. Page 2

Loyalist leader hits out
Ulster Unionist leader David Trimble marked the end of an 80-year unionist ban on talks with Sinn Féin, the IRA's political wing, by launching a fierce attack on the UK government for "bringing murderers to the table of democracy". Page 14

Paris airport extension agreed
The French government came under fire from environmentalists after deciding to go ahead with plans to extend Charles de Gaulle airport near Paris. Page 2

Pressure to cut Italian rates
The Bank of Italy was under growing pressure to cut short-term interest rates on indications the September consumer price inflation figure would drop to a 28-year low. Page 2

Germany's SPD in jobs call
Germany's opposition Social Democratic party called on the European Union to adopt convergence criteria on employment to help reduce Europe's 18m jobless total. Page 2

Polish austerity warning
Poland's right-wing Solidarity Electoral Alliance (AWS), the victor in last Sunday's parliamentary elections, has signalled it is ready to accept the need for tough fiscal policies next year if the country is to avoid a Czech-style financial crisis. Page 2

UK bank chief's Emu doubts
In a typically sceptical assessment of Europe's plans for economic and monetary union, Bank of England governor Eddie George said differences in fiscal positions between European countries might produce tensions in setting a single European interest rate. Page 8

Japan resists US air demands
The US and Japan held talks to try to reach a deal on opening their aviation markets, with Japanese negotiators saying Washington had put forward "excessive" demands. Page 6

Anwar acts on Soros dispute
Malaysia's deputy prime minister Anwar Ibrahim sought to defuse the dispute between Malaysian leader Mahathir Mohamad and international investor George Soros. Page 4

Cardoso party crisis deepens
A crisis in the Brazilian Democratic party has deepened with the resignation from its national executive of communications minister and political heavyweight Sérgio Motta. Page 7

China warns on wealth
The divide between rich and poor nations is widening, posing a threat to the prosperity of the developed world, China's prime minister Li Peng told the IMF/World Bank meeting. Page 8; Editorial Comment, Page 13

Mexico bank talks peso down
The Mexican currency weakened after the Bank of Mexico signalled concern that the strong peso was hurting exporters. Page 7

BUSINESS NEWS

Fiat close to deal with Gaz to assemble cars in Russia

Italian carmaker Fiat is poised for a comeback to the Russian market after 31 years. It is in advanced negotiations with Russian carmaker Gaz to assemble 150,000 cars a year at a plant near Moscow. Page 16

Guinness and LVMH, two companies battling over plans to create the world's largest drinks company, both reported increased profits. Page 15; Lex, Page 14; LVMH results, Page 16; Guinness results, Page 20

The European Commission is to consider proposals to outlaw most state aid to the European Union shipbuilding industry. Page 7

Philips, Dutch electronics group, is to strengthen its technology co-operation with SGS-Thomson of France in the development of manufacturing processes for semiconductors. Page 16

Acer, Taiwan's biggest computer company, may open a European manufacturing plant as part of a plan to expand its share of the $100bn a year personal computer industry. Page 19

ASE of Taiwan plans to invest T$340bn (US$11.9bn) over 10 years in a bid to become the world's top microchip packaging and testing concern. Page 15

Bertelsmann, the world's third-biggest media group, stepped up its campaign for approval of its proposed alliance with KirchGroup and Deutsche Telekom to develop digital pay-TV in Germany. Page 17

Usinor, French steelmaker, is considering opening talks with Belgian group Cockerill Sambre on possible co-operation. Page 16

Lafarge of France and UK building group Redland are considering putting their French aggregates businesses into a joint venture. Page 20

Short Brothers, Northern Ireland aerospace offshoot of Bombardier of Canada, is to receive a £19.5m ($31m) UK government grant to support two new projects. Page 9

Fila, Italian sporting goods company, agreed an $80m endorsement deal with US basketball player Grant Hill. Page 18

McKesson Corp and AmeriSource Health, two of America's largest healthcare distribution companies, plan to merge in a $1.73bn deal. Page 18

Financial services company Morgan Stanley, Dean Witter, Discover, based in the US, reported record net income of $678m in the third quarter. Page 18

Delta Air Lines and American Airlines said they would cut their commissions to travel agents from 10 per cent to 8 per cent. Page 18

Emetel, Ecuador's state telecoms company, attracted a further four foreign telecoms operators seeking to win a 35 per cent stake in the group. Page 18; Telia targets Nordic markets, Page 18

JCI, South Africa's first black-controlled mining house, is determined to merge its gold interests with UK conglomerate Lonrho despite the failure of broader merger talks. Page 15

BHP, Australian resources group, announced worse-than-expected first-quarter profits of A$284m (US$204m). Page 19

Athens stock exchange joins forces today with FTSE International to launch a real-time equities index, the FTSE/ASE-20. Page 17; World stocks, Page 34

Brussels set to investigate state aid for German bank

Cash injections may have given WestLB competitive advantage

By Emma Tucker in Brussels

An investigation into claims that Germany's third-largest bank received unlawful state handouts totalling DM5.9bn ($3.33bn) is expected to be launched by the European Commission next week.

The European Union's Brussels-based executive suspects that cash injections, received in 1992 through the integration of housing development funds, gave Westdeutsche Landesbank an unfair competitive advantage over other European banks.

The probe, launched under EU state aid rules, is the latest in a series of anti-subsidy cases brought against Germany by the commission. WestLB, the most powerful of Germany's state-owned regional banks, could be forced to repay the money.

The investigation was triggered by a complaint from the German banking association, which represents private-sector banks. It claimed the state injections amounted to unlawful state aid and enabled WestLB to expand at a lower cost than private banks.

The decision by Karel Van Miert, the competition commissioner, to press ahead with the case is certain to embarrass the German government, which last year failed to secure a compromise between the private banks and WestLB. It is also likely to focus attention on the politically sensitive state guarantees enjoyed by Germany's regional "Landesbanken".

State guarantees help the Landesbanken to receive top credit ratings, which enables them to borrow funds at preferential rates and gain an advantage over their private-sector rivals.

At June's European summit in Amsterdam, Chancellor Helmut Kohl of Germany succeeded in getting a declaration written into the revised EU treaty designed to protect the structure of Germany's public banking sector.

However, officials at the commission are conducting a survey into the potentially distorting effects of state guarantees on competition not just in the banking sector, but across the whole of industry. A report on the impact of state guarantees should be published within the next few months.

The dispute between the private banks and WestLB dates back to 1992 when the state-owned Institute for the Promotion of Househuilding was integrated into WestLB. While WestLB cannot use the money directly for other business, it can raise funds against the extra capital and thus increase its lending volume.

Several other regional banks also received funds in this way, but they are not included in the proposed investigation.

The private banking association argues that in spite of its name, WestLB is not a local bank but has a strong presence in Europe and on the international capital markets. Backed by a triple-A rating, it has expanded aggressively into other European countries, taking advantage of the liberalisation of financial services and the integration of financial markets in Europe.

The decision to launch the investigation will be put by Mr Van Miert to the college of commissioners at their regular meeting next Wednesday. The German government will then have one month to give its initial response to the complaint.

Smog alert: school children in Kuala Lumpur wear masks during assembly to publicise the health risks of smoke from jungle fires in Indonesia which has enveloped Malaysia. Masks are being worn for real in Malaysian Borneo, where visibility has been reduced to arm's length. Report, Page 14; Map, Page 4 Reuters

UK condemns Saudi court over lashing sentence on British nurse

By David Wighton and Roula Khalaf in London

A Saudi court has sentenced a British nurse accused of murdering an Australian colleague to eight years in prison and 500 lashes. The victim's lawyers claimed a second nurse had been sentenced to death.

Robin Cook, the UK foreign secretary, immediately condemned the move which he said was "wholly unacceptable in the modern world". He pledged that his government would do everything it could to ensure the sentence was not carried out.

Mr Cook warned the Saudis that the move would have a serious impact on British public opinion and could threaten UK-Saudi relations. Saudi Arabia is one of the UK's most important trading partners with the Al Yamamah defence contract alone worth £2bn a year to British companies.

However, Ghazi Algosaibi, Saudi ambassador to Britain, said on British TV: "We are not

Continued on Page 14

Japan to open up market in pension fund management

By Gillian Tett in Tokyo

Japan is poised to change its pension regulations next month, allowing companies a wider choice of fund managers for their pension funds.

The change will allow "investment advisers" – similar to western-style fund managers – to compete for an additional Y15,000bn ($123bn) worth of corporate pension money held in so-called "tax-qualified" pensions.

It will also create opportunities for foreign fund managers, which have been increasing their share of the pension market as Japan prepares for "big bang" financial deregulation. Mr Clifford Shaw of Mercury Asset Management, the UK fund management group, said: "Opening up tax-qualified pensions will open up a large new chunk of the market."

Unpublished industry data show that foreign fund managers now account for 22 per cent of the investment adviser sector, up from 8 per cent two years ago.

The latest reforms are part of moves by the government to introduce more competition into Japanese companies' management of their pension money. Corporate pension funds have traditionally been managed by two main groups – trust banks and life assurance companies.

In recent years investment advisers have been granted limited rights to manage pension funds. These differ from trust banks in that they do not act as custodians and are subject to fewer reporting restrictions.

Until now, investment advisers have been allowed to manage some public funds and one type of private corporate pension fund, known as employees' pension funds. But they have been barred from managing the other main type of private corporate pension fund – the "tax-qualified" fund – which accounts for almost a third of the private corporate pension sector.

As a result, the total funds investment advisers manage are still only about one fifth of the assets managed by trust banks.

Following the changes, the generally higher rates of return on pensions offered by investment advisers should help them win

Continued on Page 14

GE Capital set to buy Woodchester for $880m

By George Graham, in London

The drawn-out auction of Woodchester investments, the Irish motor and equipment finance company owned by Crédit Lyonnais, came to an end yesterday, when General Electric Capital agreed to pay I£591m ($880m) for the business.

The deal is the largest ever takeover of a public company in Ireland, and a first run-through for the newly independent Irish takeover panel, which has been monitoring talks.

GE Capital, which has rapidly expanded its leasing and finance business in Europe with a string of acquisitions, launched a cash offer of 263p a share after agreeing to buy Crédit Lyonnais's 54 per cent stake.

The US-owned business has made more than 20 acquisitions in Europe this year, including a £250m deal in July to take over Central Transport Rental, the former Tiphook trailer rental company. Woodchester will substantially expand GE's European motor finance business, which already includes operations in Austria, France and Spain.

For Crédit Lyonnais, the sale will generate an extraordinary gain of more than FFr300m ($51m). The French bank has been under pressure from the European Commission to sell off many of its international ventures in exchange for Brussels' approval of its rescue by the French government.

For Woodchester, the sale ends a long period of uncertainty

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Markets

STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	7,981.85	(-14.96)
NASDAQ Composite	1,682.21	(+2.76)
Europe and Far East		
CAC40	2,997.23	(-20.22)
DAX	4,098.20	(+9.28)
FTSE 100	5,027.5	(-48.2)
Nikkei	closed	
US LUNCHTIME RATES		
Federal Funds	5½%	
3-mth Treas Bills: Yld	4.969%	
Long Bond	100%	
Yield	6.360%	
OTHER RATES		
UK: 3-mo Interbank	7¼%	(7¼%)
UK: 10 yr Gilt	104.375	(104.593)
France: 10 yr OAT	100.12	(100.15)
Germany: 10 yr Bond	103.33	(103.39)
Japan: 10 yr JGB	closed	(107.52)
NORTH SEA OIL (Argus)		
Brent Dated	$18.64	(18.67)

GOLD		
New York: Comex		
(Sep)	$322.2	(321.2)
London:		
	$321.25	(320.85)
EXCHANGE RATES		
Dollar		
New York: lunchtime		
£	1.61225	
DM	1.7945	
FFr	6.03155	
SFr	1.47235	
Y	121.675	
London:		
£	1.6123	(1.6029)
DM	1.7954	(1.793)
FFr	6.0333	(6.025)
SFr	1.4738	(1.4707)
Y	121.50	(122.135)
Tokyo		closed
Sterling		
DM	2.8946	(2.874)

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Strauss-Kahn to unveil package aimed at ensuring deficit will not exceed 3% of GDP next year

French budget to target defence for cuts

By David Owen in Paris

Dominique Strauss-Kahn, the French finance and industry minister, will today unveil a 1998 budget designed to give substance to his frequent assertions that the country's budget deficit will not exceed 3 per cent of gross domestic product next year.

On tha spending side, overall government expenditure is expected to increase by 1.4 per cent, in line with inflation.

The main casualty is likely to be the FFr85bn ($14.4bn) defence procurement budget, with a number of programmes postponed or cancelled.

The principal winner, by contrast, will be Martine Aubry's employment and solidarity department. Since the election in June, Lionel Jospin's Socialist-led coalition government has been keen to prioritise the battle to curb the country's unemployment, which curreotly stands at 12.5 per cent.

Last mooth it unveiled a bill aimed at creating 350,000 public sector jobs over three years in part fulfilment of a Socialist party campaign election pladge to create 700,000 "real" jobs for young people.

The cost of the programme is expected to reach FFr10bn next year before rising to an annual FFr35bn.

In terms of taxation measures, details are sketchier, although officials have indicated the overall tax burden can be expected to rise at about the same rate as gross domestic product.

It would be a major surprise if today's package did not include a sharp increase in the rate of the Contribution Sociale Généralisée (CSG), a broad-based tax currently levied on all incomes – not only payroll incomes – at 3.4 per cent.

This would be part of a drive to shift more of the burden of financing France's generous welfare system away from workers.

The move would be accompanied by a corresponding reduction in social security contributions levied on wage-earners.

The net effect of the switch, which may be broadly revenue-neutral, would be to ensure that investment and savings income hore a higber proportion of France's welfare costs.

Mr Strauss-Kahn is also expected to announce higher duties on fuel.

As expected, there will be measures to help small- and medium-sized enterprises and to encourage the creation of innovative French companies.

Government officials have indicated that the net effect of today's measures will be to increase the purchasing power of French consumers hy more than 2 per cent after tax.

Top of the class, Page 12

EU is warned on technology licence ruling

By Emma Tucker in Brussels

The European Commission could seriously damage the competitiveness of the chemical industry in Europe if it presses ahead with a ruling on the licensing of technology, according to industry chiefs.

The industry fears that in attempting to resolve a dispute between Arco Chemical of the US and Repsol of Spain, competition officials in Brussels could alter the law in a way that would dissuade companies from licensing valuable technology patents to European manufacturers.

"This ruling threatens the free flow of ideas which are expressed in licensing, patents and know-how agreements," said Jonathan Kapstein, Arco's director of government relations in Europe. "Any company would think twice about transfering technology from Japan or the US into the EU."

The issue in dispute ie whether the owner of a technology licence should be allowed to confine its use by another party to a specific production site.

It arose after Repsol complained to the Commission that a 1986 agreement between it and Arco Chemical – a former partner in a joint venture – was illegal.

The agreement said that Repsol would have to seek a new licence from Arco if it decided to expand production capacity to exploit technology for the manufacture of propylene oxide and styrene monomer, originally licensed to it by Arco.

Two years ago Repsol decided to build a completely new plant at a new site using the licensed technology, but it did not seek a fresh license.

Although no final ruling has been made, officials in Brussels have concluded that the 1986 agreement broke competition rules which seek to protect the licensee, as well as the licenser, by giving the licensee tha liberty to increase its capacity or to construct its own plant.

According to the Commission, once the licence for the use of technology at one set of production facilities has been granted, the licensee should be allowed to build any number of plants using the technology. If the agreement does not explicitly permit this then it is illegal.

"Tha fundamental objection in this case is that a company cannot build a new plant without the epproval of its competitor – Arco Chemical," said a Commission official.

The Commieeion also points out that Arco is itself building a new plant and has a huge vested interest in preventing, or at least delaying, the development of Repsol's new site.

Arco disputes the allegation, saying it would be willing to license the technology for Repsol'a expansion. All it wants is recognition from Repsol that it is the owner of the technology.

Other oil and chemicals companies have joined the protest, fearful that hundreds of similar "site licensing" agreements could be rendered illegal.

In a letter to the Commission, Bryan Sanderson, managing director of BP Chemicals, says the Commission's imminent decision "is certain to dissuade potential licensers from allowing third parties to have access to their technology. The net effect of this will inevitably be to the detriment of industry and to competitiveness in general".

Paris airport extension agreed

By Samer Iskandar in Paris

The French government came under fire from environmentalists yesterday after announcing its decision to go ahead with plans for the extension of the Charles de Gaulle airport at Roissy, north of Paris.

The project, initially approved by the previous centre-right government, was frozen this summer after the Socialist-led leftwing coalition government was elected.

Environmentalists were hoping the suspension would increase the likelihood of the project being scrapped altogether.

Jean-Louis Gayssot, the transport minister, who is a Communist, said yesterday the extension would go ahead, but he also announced measures to limit noise, especially at night. He said higher local and professional tax receipts would be distributed more evenly among local residents.

"This must be a final settlement for the Ile-de-France [the region which includes Paris]," said Dominique Voynet, the environment minister. "This will be a heavy burden on local residents." Ms Voynet, a Green, added: "I am still not certain that there were no other alternatives."

The Green party said the decision had been made "with no debate" and that "neither the region nor the local residents would benefit".

The FFr1.5bn ($250m) extension plan, supported by business and the trade unions, is expected to generate a substantial number of jobs. It includes two new runways in addition to the existing two, as well as new terminals.

Roissy-CDG, built in 1974 in empty fields, has become France's busiest airport. As a result, the region around it gradually became a large business and industrial centre and its population had grown exponentielly. Last year the airport saw 361,000 flights transporting 32m passengers. Activity is expected to grow at an annual rate of 3.5-4 per cent, reaching almost 40m passengers by 2002.

Claude Carpentier, president of the Val d'Oise region's association against noise pollution from aircraft, said the region's environmentalists were "disgusted and angry" by the decision.

"Mr Gayssot has sacrificed local residents to the benefit of the aeronautical lobby and Aeroports de Paris [the airport's operator]," he said.

The government, however, helieves Paris would lose travel bnsiness to London, Amsterdam or Frankfurt if capacity is not increased in the near future.

Poland's victors signal austerity

By Christopher Bobinski in Warsaw

Poland's rightwing Solidarity Electoral Alliance (AWS), the victor in last Sunday's parliamentary elections, has signalled it is ready to accept the need for tough fiscal policies next year if the country is to avoid a Czech-style financial crisis.

Boguslaw Grabowski, a top economic adviser to the AWS, which groups 36 small rightwing parties around the Solidarity trade union, was reported yesterday as saying that Poland needs to cut the budget deficit of 2.8 per cent of gross domestic product planned for this year.

The statement came as the AWS, whose syndicalist wing favours government support for state-owned industries and higher spending on the social services, was preparing for coalition talks with the pro-business Freedom Union (UW) led by Leszek Balcerowicz, which wants tighter fiscal policies.

Next year's budget is being prepared by Marek Belka, the outgoing finance minister, who wants to cut the planned deficit for 1998 to 1.6 per cent of GDP, less than the 1.9 per cent figure mooted by the finance ministry before the elections.

It is close, however, to advice from the Polish central bank (NBP) and the International Monetary Fund that the budget deficit next year be cut to 1.5 per cent and the budget balanced in 1999.

Key AWS leaders such as the pragmatic Janusz Tomaszewski, a trade unionist from the industrial city of Lodz, have been assuring financiers that the movement will approve next year's budget authored by the outgoing administration. This has been led by the former communist Left Democratic Alliance (SLD) for the past four years.

The debate over next year's budget, is set against a background of Poland's current account deficit which reached $3bn after the first seven months of the year against $10m in the same period last year.

By the end of this year, the current account deficit is expected to reach $6bn or around 4 per cent of GDP. The sharp rise has spurred the central bank to tighten its interest rate policy, and to press the government for fiscal stringency.

With final election results expected today the AWS looks set to get around 200 out of the 460 seats in the Sejm (Polish parliament) while the UW will have around 60 deputies. The SLD increased their share of the vote from 20 per cent at the last election in 1993 to 26 per cent, with around 160 seats in the Sejm.

In the Senate, the second parliamentary chamber which can initiate and amend legislation but plays no role in forming governments, results from 31 of Poland's 49 provinces gave the AWS 36 of the 100 seats.

The results put the AWS on track to gain the majority of the seats in the Senate, as predicted by the polling organisations, with the SLD set to win around a quarter of the seats.

UW leader Leszek Balcerowicz yesterday points to the scale of the rightwing victory on a map of Poland Reuters

Germany asked to close meat plant

By Michael Smith in Brussels

The European Union yesterday in effect ended US hopes of being granted special status to win exemption from a proposed ban on imports of products which are made from cattle parts and are used in the pharmaceuticals and cosmetics industry, writes Michael Smith. Washington had asked the EU to examine the US incidence of diseases such as scrapie, affecting sheep, and BSE, affecting cows. The diseases are collectively known as TSEs (transmissable spongiform encephalopathies).

Franz Fischler, agriculture commissioner, said yesterday the US would not be granted TSE-free status following advice from veterinary experts.

Germany was yesterday asked by the European Commission to close down a meat processing plant after the discovery of a suspected fraud to import UK beef.

The request to close an unnamed plant will exacerbate German fears about the dangers of BSE or "mad cow" disease and increase friction with the UK over plans by Britain to seek a relaxation of an 18-month ban on its beef exports.

The European Commission said it had asked the German authorities to suspend the licence of the plant following the discovery in early September of meat believed to have originated in the UK.

Although the amount was limited to tens of tonnes, the Commission suspects more could be involved. It has asked controls to be tightened at several other plants.

Speaking before the announcement of the alleged fraud, Franz-Josef Feiter, German agriculture state secretary, said yesterday that as long as there were no watertight controls on beef exports from Britain, Germany could not snpport a lifting of the ban.

Officials later played down his remarks, saying that Germany would be gulded by scientific advice as laid down by the European Union.

UK hopes for an easing of the ban were raised last week when an EU veterinary committee suggested exports could he resumed from Northern Ireland, where the incidence of BSE is low and records of cattle movement are kept on computer record.

Jack Cunningham, UK agriculture minister, expressed irritation at the "strong negative response" of Mr Feiter. He said there had been at least two cases of suspected fraud involving UK beef in "Mr Feiter's own country."

Mr Cunningham thought it was quite wrong for the Germans to say the frauds justified not lifting the ban. He would be pressing for the ban to be eased throughout the UK and not just Northern Ireland.

He met EU officials yesterday in an attempt to sort out who should make the next move on easing the ban, with both sides claiming it was the responsibility of the other.

Bank of Italy under pressure to cut rates

By James Blitz in Rome

The Bank of Italy was last night under growing pressure to cut the country's short-term interest rates following indications that the Septemher consumer price inflation figure would drop to a 28-year low.

Inflation data from Italian cities have prompted analysts to forecast a decline in the final CPI figure for September, due out next month, from an annualised 1.5 per cent to 1.4 per cent – a level not seen since February 1969. The gradual release of the inflation figures over the last two days has triggered optimism in Italian markets about the prospect of an easing in monetary policy. Yesterday's data was accompanied by a narrowing of the spread between 10-year Italian and German government bonds, down to around 62 basis points.

This compares with a spread of around 75 basis points 10 days ago, after markets had already taken a positive view of the prospects of the lira joining a single currency following a meeting of European Union finance ministers in Luxembourg. Speculation of a near-term cut in the Bank of Italy's official discount rate (ODR) – currently 6.25 per cent – has been rife over the last three days. It intensified over the weekend when Antonio Fazio, governor of the Bank of Italy, signalled that the "distance between Italian and German rates should narrow over the next year, or year and e half".

However, economic analysts expect the governor to weit until the government has announced details of its 1998 budget before deciding how much to ease policy.

The budget – which must be tabled in parliament hy September 30 – will set out the extent to which the government has managed to cut back Italy's annual expenditure on welfare. It is also expected to introduce rises in value added tax that will have an impact on inflation in 1998.

"I expect the governor to announce a 50 basis point cut in rates immediately after the budget," said Ilaria Fornari, an economist at JP Morgan in Milan. She expects that this will be followed hy e further hout of easing – again hy 50 basis points – before the end of the year.

SPD calls for Emu criteria on jobs

By Peter Norman in Bonn

Germany's opposition Social Democratic party yesterday called on the European Union to adopt convergence criteria on employment to help reduce Europe's 18m jobless total.

Oskar Lafontaine, the SPD leader, said tbe criteria, which woold set goals for cutting unemployment, should "rank equally with, if not have priority over" the monetary stability criteria for European economic and monetary union, due to start on January 1 1999.

Although Mr Lafontaine denied this would mean accepting high inflation rather than increased unemployment in the event of a conflict of policy goals, he said tbe SPD's philosopby was that "the human being is more important than money".

While supporting Emu, the SPD has long demanded that the planned single currency should be flanked by more active employment and social policies. But Mr Lafontaine's plea yesterday for employment criteria which could take priority over the economic convergence criteria of the 1992 Maastricht treaty took the party into more radical territory.

This suggested that Germany's high onemployment is likely to be the key issue in SPD state and federal election campaigns between now and the general election on September 27 next year.

Mr Lafontalne's call for employment criteria came as he unveiled a European policy resolution for the SPD's congress in December.

Last week, the party leadership adopted a largely business-friendly economic policy resolution for the same congress which recognised the importance of economic growth, competition and technological progress.

Heidemarie Wieczorek-Zeul, the party's European policy specialist, said the SPD wanted the employment criteria to be adopted at the EU's late November special jobs summit in Luxembourg, where there would be a majority of Social Democrat-led governments.

Ms Wieczorek-Zeul said cutting unemployment could not be left to national policies, but required a European action programme. The party wanted Emu, hut it must be an instrument for job creation. Economic policy co-ordination in the EU should put e greater emphasis on employment. The SPD also wanted EU governments to agree a "training and employment guarantee" for young people that would ensure nobody went straight from school to unemployment, she said.

Israel seeks to strengthen ties with Turkey

Feelings of mutual isolation may help to bind the two, writes John Barham

Israel wants to prove there is more to its courtship of Turkey than secret military protocols struck with the country's powerful secularist generals and is encouraging more "people to people" ties such as scholarships for bright students, irrigation technology transfers, trade fairs and twin cities.

For most countries, this type of cultural diplomacy is unremarkahle. But it is a high priority for Israel as it works to hroaden relations with a key Moslem state. Nissan Amdor, a diplomat at the Israeli embassy in Ankara, says: "Government to government relations are important hut we are trying to widen this path into a highway between both societies." Governments and their policies may come and go, hut friendships hetween individuals and trade deals between companies should prove more durable.

For the Israelis Turkey is fertile soil. There is little of the anti-Israel sentiment rife in Egypt, which signed the Arah world's first peace treaty with Israel 20 years ago. Tüzün Denli, director of cultural affairs at Ankara's Middle East Technical University, has helped organise a growing student exchange programme with Israel. She says: "The most important thing is to live in peace. Ataturk said, 'Peace in Turkey and peace in the world' and we are trying to live up to this. From my viewpoint there is no difference between people living anywhere in the world."

Traditionally pro-western, secular Turkey was among the first countries in the world to recognise Israel and never hroke off diplomatic relations. It rarely participated in the Arah world's anti-Israel campaigns. Admittedly, relations were in suspended animation for decades, hnt revived with the signing of the Oslo agreements between Israel and the Palestine Liberation Organisation.

Leaders from both countries have paid official visits. Last year, Turkey and Israel ignored angry Arab protests and signed a series of military agreements allowing Israeli pilots, cramped hy Israel's tiny territory, to fly training missions over the plains of Anatolia four times a year. Israel Aircraft Industries is upgrading Turkish air force jets in a $650m contract.

Turkey is Israel's second most popular tourist destination, largely because its casinos – now facing closure – are only one hour's flight from Israel, which bans gambling.

In April, even though the Islamist Welfare party was in power, parliament approved a free trade agreement with Israel that will eliminate trade barriers by 2000 and could boost trade to $1bn a year from $400m a year now. The same month, the secularist establishment forced Necmettin Erbakan, then Turkey's first Islamist prime minister, to see David Levy, Israel's foreign minister, during an official visit to Turkey.

Mr Erbakan had alarmed Jerusalem by cultivating anti-Israel groups like Egypt's Moslem Brotherhood, Hamas, the Palestinian Islamist party, and Lebanon's Hizbollah group. He strengthened ties with Iran. Although Israel's hroader relationship with Turkey suffered little during Mr Erbakan's 11-month period in office, the rise of Welfare vindicated the wisdom of people to people diplomacy.

Jerusalem places special emphasis on Turkish perceptions of Israel. There is a residue of anti-Semitism from the Ottoman era, when Jews together with Greeks and Armenians formed the empire's rich hut despised commercial elite. Republican Turkey stripped these minorities of their wealth with punitive tax laws.

The embassy in Ankara closely monitors the growing Islamist media, rehutting anti-Jewish articles or programmes. Mr Amdor says it is important to combat defamatory reporting, less to win over the Islamists than to prevent anti-Israel sentiment leaking into wider society. One hard-line newspaper even interviewed the Israeli ambassador although the article never appeared.

About 20,000 Jews live in Turkey. Some are important business or cultural figures, but most are wary of raising their profile. In 1995, Yuda Yurum, a Jewish academic, survived a car homb ettack. He had received threatening letters from an extremist Moslem group after an Islamist newspaper reported that he received an academic eward in Israel.

Turkey is an important prize for Israel. It is among tha region's higgest Moslem states and is struggling to contain the rise of militant Islam. It is a Nato member with the most powerful Middle Eastern army after Israel'a. It is the region's only other democracy. The two countries share a common enemy in Syria, which Turkey accuses of supporting the Kurdistan Workers party.

Turkey values Israel's lohbying machine in the US and Europe. Israel has no human rights legislation restricting arms exports. Turkey has few friends in the Arab world. It is still resented as the successor of the Arabs' Ottoman rulers, scorned as an ally of the west and berated for diverting the waters from Syria and Iraq of the Euphrates and Tigris to irrigate its arid south-eastern farmland.

Set beside this, the small time diplomacy of cultural exchanges, scholarships, twin cities and business conventions aeems trivial. Bnt winning hearts and minds is vital for Israel in its struggle for acceptance in a hostila environment and for Turkey trying to overcome growing international isolation.

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close to Boeing in Seattle – bveo to buy small, strug- offs or dispoals of focusing on brokering deals and defence industry's new losses and "nationalistic" fragmented businesses in the happy."

NEWS DIGEST

Serbs attack peacekeepers

Scandinavian and Polish peacekeeping troops in Bosnia were attacked yesterday by a mob of about 200 Serbs hurling stones and petrol bombs near the northern town of Doboj, Nato spokesmen in Sarajevo said.

A civilian bus caught fire but no peacekeepers were injured. The crowd was demanding the removal of a checkpoint from a bridge about 3km north of the Serb-controlled town.

Officials of the Nato-led force, SFOR, said the checkpoint was set up to prevent the movement of armed Serbs along the road to Prnjavor. Police loyal to Biljana Plavsic, the Western-backed Bosnian Serb president, on Sunday seized a police station in Prnjavor from forces supporting her hardline nationalist rival, Radovan Karadzic.

Doboj remains under the control of Mr Karadzic, the former Bosnian Serb president indicted for war crimes, who wields power covertly from his base in Pale in eastern Bosnia. *Guy Dinmore, Belgrade*

■ HAMBURG ELECTION

'Red-Green' coalition move

Leaders of Hamburg's Social Democratic party have proposed Ortwin Runde, a left winger, as candidate for governing mayor, increasing the chances that the city state's next government will be a coalition of SPD and environmental Greens. Mr Runde has been a strong advocate of a Red-Green coalition for many years, in contrast to the outgoing mayor, Henning Voscherau.

Mr Runde, 53, was finance senator in the government led by Mr Voscherau, who announced his resignation as party leader and mayor after the SPD's poor showing in Sunday's state election.

A party congress will be asked on Friday to approve Mr Runde's appointment. He is expected to win after the leadership backed his nomination with a majority of 14 to five. *Peter Norman, Bonn*

■ RUSSIAN ECONOMY

Yeltsin may stress state role

President Boris Yeltsin will today deliver a rare address to parliament in which, Kremlin aides say, he will lay out a new blueprint for Russia's economic development.

Newspapers have been feverishly speculating about the contents of the speech, which is believed to include calls for a reassertion of state discipline in the economy. Mr Yeltsin has recently given strong public backing to his two young first deputy prime ministers, Anatoly Chubais and Boris Nemtsov, who favour the development of a liberal, competitive economy. But these ministers have come under a barrage of fire from bankers and opposition leaders who have called for greater state support.

Kremlin sources were hinting yesterday that Mr Yeltsin would stress the state's central role in establishing the ground rules for competition. Speaking in Hong Kong yesterday, Mr Chubais said the Russian state needed to reinvent its role to complete the country's move towards a free market economy. *John Thornhill, Moscow*

■ SPAIN AND EMU

Maastricht target in sight

The Spanish government is increasingly confident of meeting its budget deficit target this year – the main hurdle remaining in its campaign to qualify as a founder-member of the European economic and monetary union – without resorting to last-minute adjustments. José Folgado, state secretary for the budget, said yesterday that it should "easily" fulfil the Maastricht treaty's requirements on the basis of its performance in the first eight months of the year.

The central government deficit to the end of August fell 36 per cent to Pta1,296bn ($8.5bn) in national accounts terms. This was 1.7 per cent of annual gross domestic product, a full percentage point less than at the same stage last year, according to the economy and finance ministry. The government needs to keep this part of its deficit – which excludes social security, regional or local authorities – to a maximum 2.5 per cent of GDP for the whole year to achieve an overall shortfall of no more than 3 per cent, the target for monetary union.

Mr Folgado said the reduction reflected higher government revenues, while expenditure was running according to plan. *David White, Madrid*

■ ROMANIA PRIVATISATION

Airline stake to be sold

The Romanian Senate yesterday passed a bill allowing the restructuring and privatisation of the state airline, Tarom. Under the bill, which confirms an earlier government decree, the 70 per cent stake currently held by the State Ownership Fund (SOF) will be sold, with the state retaining a golden share.

Tarom lost $24m (£15m) last year and $13m in the first six months of this year. It suffers from poor maintenance, sales structures and catering. Its problems are made worse by the fact that it relies on a wide range of aircraft.

The government announced yesterday that the airline will be placed under the the transport ministry, which has announced that 626 of the 3,365 staff are to lose their jobs next month. Over the next two years, it plans to improve the airline's fleet with new purchases in the West, including eight Boeing 737s. *Anatol Lieven*

■ SWEDISH ECONOMY

Bank foresees low inflation

Sweden's central bank yesterday predicted that inflation would remain low in spite of steady growth in GDP over the next three years.

The Riksbank quarterly inflation report said inflation would average about 1 per cent this year and 2 per cent in 1998, before accelerating in 1999.

At the same time, the bank forecast that GDP would grow at 2 per cent in 1997 and 3 per cent in 1998 and 1999. The relatively bullish outlook on inflation and GDP growth was accompanied by confirmation that interest rates were unlikely to be altered soon.

Nevertheless, some analysts said rates may be forced up in the first quarter of 1998 to match rises by other European central banks. *Tim Burt, Stockholm*

■ TURKISH ECONOMY

Debt growth held

Turkey's domestic debt stock fell 1.4 per cent in the first eight months of the year, the government announced yesterday. The debt, which had spiralled upward rapidly since 1994, when public finances deteriorated and the treasury was shut out of international capital markets, dipped to $29.78bn in August.

Analysts said lower interest rates and longer maturities achieved by the new secularist government helped hold down growth in the debt stock. The government's success in returning to foreign capital markets for its funding requirements has also reduced pressure on the narrow local financial system, where real interest rates fluctuate between 20-50 per cent a year in real terms and maturities range from 100-360 days.

Last week Turkey raised $600m with a 10-year Eurobond issue and plans to borrow a further $900m by the end of the year. *John Barham, Ankara*

Estonian banks thrive in new economy

John Thornhill finds a heaven for bankers on the Baltic

If bankers go to heaven, they might find the nameplate "Estonia" hanging from the pearly gates.

A country that was virgin banking territory until six years ago, where the economy is growing at 11 per cent a year and banking assets are expanding even faster must be counted the very stuff of banking heaven. A well regulated, open, trading economy boasting a rock-solid macro-economic environment and little foreign banking competition only adds to the former Soviet state's appeal.

It is little wonder that Estonia's banks have thrived, as shown in the startling rise in their profits and share prices over the past year. They have plunged rapidly into corporate, retail, telephone, and even internet banking. They are also expanding into the other Baltic states, Latvia and Lithuania, and are reviving links with Russia.

Indrek Neivelt, chief executive of Hansabank Estonia, the biggest in the Baltic region, says his bank has had the advantage of starting from a clean sheet which has enabled it to create an cost-efficient banking structure and introduce state-of-the-art technology.

He says the local banks do not fear the greater competition that would follow the country's probable admission to the European Union early next century. He believes they would be more than a match for the few European banks wishing to move in.

"Our bank has not been burdened by the big bureaucracy and branch networks that are problems for foreign banks. In some respects we are already more advanced than banks in Britain," he says. Hansabank is now planning to sell some of its proprietary banking software within the EU and offer consultancy services to other banks in eastern Europe, he adds.

Three local banks dominate the Estonian banking sector, accounting for roughly three-quarters of the total market. Hansabank, the Union Bank of Estonia, and the Estonian Savings Bank, probably also rank as the three biggest in the entire Baltic region. Hansa estimates total bank assets in Estonia amount to $1,403 per capita compared with $951 in Latvia, and $443 in Lithuania.

Like other transition economies in eastern Europe, Estonia experienced a banking crisis after the turbulent transition to a market economy. But fortunately it came early – in 1992-93 – giving plenty of time to recover. Since then, Hansabank has taken the lead, transforming itself into a modern universal bank with almost 40 per cent of the corporate banking market.

It has since expanded into retail banking, opening 24 branches, running 90 ATMs (Automated Teller Machines) and offering telephone and internet banking services. It has set its sights on the other Baltic countries by acquiring the Deutsche Lettische bank in Latvia, and scouring acquisition opportunities in Lithuania.

Jurgen Lamp, marketing director of the Union Bank of Estonia, says his bank has succeeded in forging a common culture enabling it to compete far more aggressively in the market. "Our job is to make customers rethink the myth about Hansabank. The banking market is shifting from corporate banking to private individuals and all the banks are going to have to compete on client services," he says.

When it comes to attracting retail deposits, the Estonian Savings Bank would appear to have a strong advantage with a national network of some 220 branches and the most ATM machines. It has also been broadening its expertise in retail services following the acquisition of the Estonian Insurance Company, the largest life and non-life insurer in the country.

But some economists fear this escalating competition combined with a developing consumer boom could lead to rash lending policies. This will leave the banks vulnerable if conditions turn sour and the current account deficit runs out of control.

Herdo Pajula, economist at Price Waterhouse, argues that as Estonia's bigger companies begin to gain direct access to domestic and international capital markets, the banks will be forced to lend to riskier sectors of the economy, particularly real estate.

At present, the banks' bad loans account for just 2 per cent of their total portfolios, but Mr Pajula suggests the extremely low figure may reflect the benign economic climate more than the inherent quality of their loans.

Estonia: banking boom

Estonia's top banks

Bank	Net income ($m)	Total assets ($m)	Return on equity (%)
Hansabank	13.5	547.9	47.5
Union Bank	4.1	484.4	26.3
Savings Bank	6.8	456.6	51.0

Banking figures per capita*

	Estonia	Latvia	Lithuania
Total assets ($)	1,403	951	443
Total loans ($)	769	244	236
Total deposits ($)	847	577	318
GDP (Mar 31 1997)	641	487	550

Source: Hansabank

* as at July 30 1997

The Bank of Estonia, the central bank, appears well aware of the dangers, and is demanding banks raise their capital adequacy ratios from 8 per cent to 10 per cent while making more generous provisions for bad loans.

"There is no doubt that the banking sector would be in the front line of troubles if there was a problem with the current account deficit," says Peter Lohmus, deputy governor of the central bank. "But we have been preparing the banks to face the problems if problems do arise."

This is the last in a series on banking in central and eastern European countries preparing for European Union membership. Previous articles covered the Czech Republic, Poland, Slovenia and Hungary.

Anwar seeks to defuse Soros dispute

By John Ridding in Hong Kong and James Kynge in Kuala Lumpur

Anwar Ibrahim, Malaysia's deputy prime minister, yesterday sought to defuse the dispute between Mahathir Mohamad, the Malaysian leader, and George Soros, the powerful international investor.

The feud, which rattled Malaysia's financial markets on Monday, was triggered by Dr Mahathir's claims that Mr Soros led speculative assaults against the Malaysian ringgit, which has fallen by more than 20 per cent since the end of June. The US-based financier responded at the weekend, denying the charges and describing the Malaysian prime minister as "a menace to his own country".

"We have to get on with other things," said Mr Anwar yesterday. "What we have to do now is to deal with the problem," he added, referring to upheaval in financial markets and a slowdown in regional economic growth. While the finance minister said it was "time to put our house in order", he said Mr Soros had overstated the weaknesses in Malaysia's banking system.

The exchange between Dr Mahathir and Mr Soros has focused attention on the process of financial liberalisation and the risks of speculation, one of the dominant issues at the IMF/World Bank annual meeting in Hong Kong. It also pointed up Mr Anwar's capacity to smooth the ripples created by Dr Mahathir's angry fulminations – a talent which appears to be enhancing the deputy prime minister's standing at his leader's expense.

Dr Mahathir's weekend suggestion that currency trading should be restricted to that required to finance trade in goods and services, prompted fears of market curbs. But Mr Anwar yesterday dismissed such concern, insisting that Malaysia remained committed to financial liberalisation, that there would be no change in market regulations and that the economy still needed foreign investment.

While the Malaysian finance minister argued that mechanisms were needed to reduce the risk of currency speculation to developing economies, he said unilateral measures could not work. The IMF should put in place rules to regulate hedge funds and investment houses, he said.

Partly due to Mr Anwar's comments, Malaysia's battered markets recovered some composure yesterday. The ringgit was quoted at M$3.054 to the US dollar in late trade, compared with M$3.12 on Monday. The benchmark Kuala Lumpur Stock Exchange Composite index ended the day up 20.70 points, or 2.72 per cent, at 781.20. It was driven higher partly by support from government funds.

Investment bankers in Hong Kong for the IMF/World Bank summit have sought to play down the impact of Dr Mahathir's comments. "Economics is like love, you should judge people by what they do, not what they say," said Keoneth Courtis, first vice-president of Deutsche Bank Asia Pacific. "Malaysia's record over the past 20 years has been fairly good."

Jakarta signals clean-up of bank sector

By Sander Thoenes in Jakarta

Indonesia's central bank has eased its hanking rules to help 16 troubled banks meet a short-term liquidity crunch but it will let 11 illiquid banks fend for themselves, according to a list said to have been drafted by the bank.

One western securities firm showed the Financial Times a list of 27 banks which it said had been provided by Bank of Indonesia, naming 16 banks as having short-term liquidity problems and 11 as being of "emergency status". The 16 would obtain some aid from Bank of Indooesia but 11 would be forced to merge or shut down.

If genuine the list would be a strong sign that the hank is serious about cleaning up the banking sector.

One of the 16 listed banks is one of Indonesia's largest but all others had reported assets of less than Rp4,000bn ($1.3bn). One western banker said the 11 illiquid hanks jointly held less than 3 per cent of the country's private bank assets.

Rinaldi Bukhari, senior vice-president at Bank Nusa, part of the diversified Bakrie Group, said Bank of Indonesia had allowed Nusa to breach its requirement to deposit 5 per cent of its reserves with Bank of Indonesia. This was helping the bank meet a liquidity shortage after a sharp devaluation of the rupiah caused the government to raise interest rates last month.

"We are not meeting that limit because of the currency problem," he said.

Mulyawan , manager for banking regulation at Bank of Indonesia, said the bank used a discount facility, not a reserve exemption, to help banks.

Mr Mulyawan denied the existence of any official list of troubled banks. But following a drop of the rupiah in recent weeks hy more than 20 per cent, Bank of Indonesia has stepped up pressure on troubled banks to improve lending practices and consolidate. Indonesia has 237 banks, and roughly 50 mostly small banks are estimated to be illiquid.

The World Bank estimates that non-performing loans accounted for 9 per cent of outstanding loans in 1996.

Sudradjad Djiwandono, governor of the Bank of Indonesia, has pledged to merge seven state hanks, raise the capital adequacy ratio for private hanks to 9 per cent of assets by the end of this month and liquidate failing hanks. But ha said recently the central hank would assist sound banks which faced short-term difficulties.

Two collapsed banks have been hailed out in recent years while none has gone bankrupt. Bank of Indonesia has lowered interest rates four times in recent weeks, from last month's htgh of over 30 per cent to just under 20 per cent.

Food company debt fears hit Manila stock market

By Justin Marozzi in Manila

Rumours of financial difficulties at one of the Philippines' leading food companies yesterday hit the local stock market and took banking shares down as analysts feared a run of bad debts was emerging amid the economic slowdown.

A local newspaper report that Vitarich, a top listed food group, was seeking debt relief, sent its shares tumbling 34 per cent. The market ended down 2.2 per cent.

Vitarich moved quickly to deny the rumours, but said that with high interest rates and the weaker peso it was scaling back its full-year income forecast from 248m pesos ($7.4m) to 25m pesos. The group said it would be able to service most of its debts and its main objective was to cut debt payments significantly for the rest of the year.

Investors shied away from banking shares on the news, which follows the 2bn pesos loan default of EYCO, a local group, and the difficulties of Nikon Industrial, the home appliance manufacturer, in repaying debts of 4bn pesos. Earlier this year, Victorias Milling, the country's biggest sugar miller, said it was unable to service debts of 6.1bn pesos. Shares in Metrobank and Philippine National Bank, two of the sector's leading players that are also heavily exposed to the troubled groups, yesterday fell 6 and 7 per cent respectively.

Analysts said Vitarich's difficulties were symptomatic of the squeeze on the corporate sector with the prevailing high interest rates. Prime lending rates have almost doubled to about 30 per cent since the peso's collapse in July. A weak peso – down 21 per cent since then – has also hurt companies sucb as Vitarich which rely on high import contents.

"I have no doubt that there will be more hankruptcies over the next 18 months and that what we have seen is just the tip of the iceberg," said Matthew Sutherland, head of research at Paribas Asia Equity. "How serious it gets in the next year or so depends on how much economic growth slows down and how high interest rates remain."

Unlike its south-east Asian neighbours Malaysia and Thailand, however, the Philippines enjoyed lower corporate debt levels, and bankruptcies here would be correspondingly lower, Mr Sutherland added.

Philippine banks, which have moved out of favour with investors, would now be scrutinised more rigorously, predicted Francisco Bonoan, managing director of DBS Securities.

"Investors will now be screening the asset and loan quality of banks with a fine toothcomb," he said. "A lot of the figures banks quote for non-performing loans, for instance, might have to be revised."

Cambodia finance support suspended

By William Barnes in Bangkok

The International Monetary Fund and World Bank have indefinitely suspended their financial support programmes to Cambodia, according to officials from the two institutions in Phnom Penh.

The move will deal a further blow to the hopes of Hun Sen, second co-premier, that Cambodia would bounce back quickly from his bloody coup in early July.

The IMF launched a $120m, three-year programme in May 1994, but only half was disbursed after the IMF discovered that revenues from unrestrained logging were disappearing into private hands.

The IMF will recall its representative, Joshua Charap, next month and leave the post vacant.

"I believe the IMF will return one day when they understand Cambodia's sttuation," said Chea Peng Chheng, under-secretary of state for finance.

In the absence of the IMF, a World Bank official in Phnom Penh said the bank would not seek to negotiate any new projects, including hodgetary support for the balance of payments, according to a bank official in Phnom Penh. The World Bank has supported the budget to the tune of about $85m since 1994, the official said.

Prince Norodom Ranariddh, the first co-premier, fled abroad on the eve of a coup which left scores dead and Hun Sen, a former Khmer Rouge officer, in *de facto* control of nearly all of the country.

About 20,000 refugees fled into Thailand yesterday after Cambodian government forces launched an offensive against troops loyal to Prince Ranariddh holding onto an enclave in the far north-west.

Recent events in Cambodia have damaged an economic boom that started after elections sponsored by the United Nations in 1993.

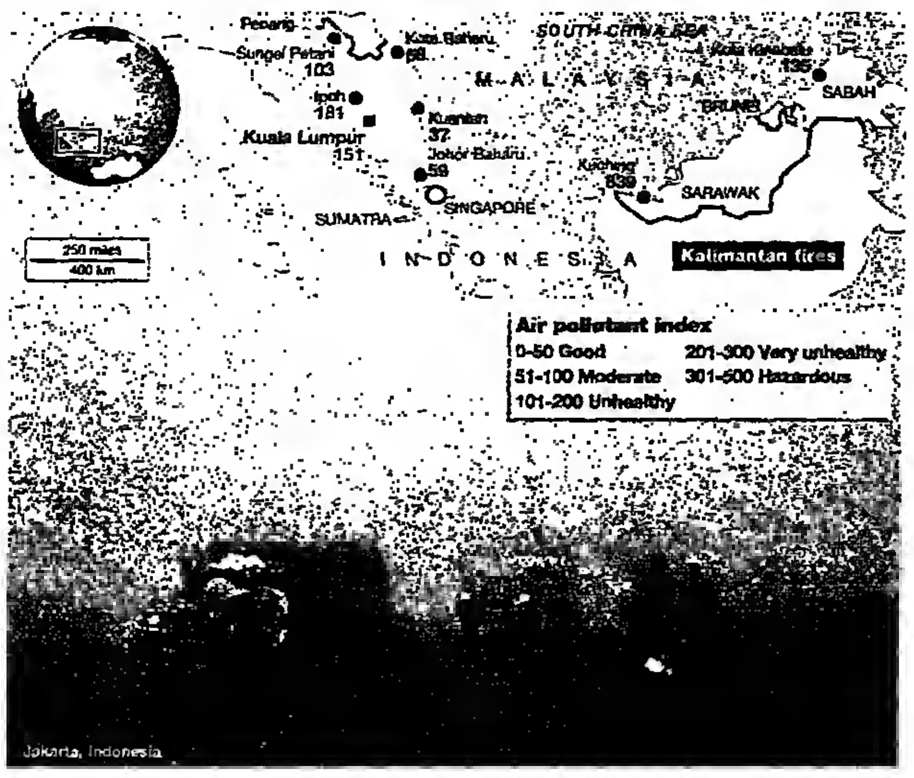
Malaysia firefighters to tackle jungle blazes

Malaysia was due to dispatch the first of around 2,000 firefighters and medical and communications experts yesterday to tackle jungle fires in Indonesia that have covered large areas of south-east Asia in a thick smog, James Kynge reports from Kuala Lumpur.

However, unless the delayed rainy season starts soon, the effectiveness of firefighting may be limited over such a large area.

Some of the fires in Kalimantan and Sumatra are jungle blazes but others involve the burning of peat, which is believed to be as much as three metres deep in parts.

Residents of Kuala Lumpur have begun to question the official Air Pollutant Index (see chart) readings, which they suspect are understating thickness of the haze. The "Petronas Towers test" is a popular alternative, involving gauging how much of the world's tallest building is visible.



Thai PM set to survive turmoil

By Ted Bardacke in Bangkok

Thailand heads into the political unknown again today when parliament begins what promises to be a bruising two-day no-confidence debate against the embattled prime minister, Chavalit Yongchaiyudh, and then considers a new reformist constitution on Saturday.

The depth of Thailand's economic crisis, widely blamed on Gen Chavalit's inability to take swift and decisive decisions, has reconstituted the coalition of urban Thais, the business community and the media which traditionally brings down Thai governments. This coalition wants both Gen Chavalit out of office and the new consitution, designed to reduce the role of money in politics and create a more stable and efficient government, in place.

But through a wily bit of political manoeuvring, the prime minister has all but ensured that only one of those things can happen. If any of his six coalition partners deserts him in a censure motion on Friday, Gen Chavalit can dissolve parliament, scuttle the entire political reform process and call for a costly new election that would paralyse government attempts to implement tough measures needed to get the floundering Thai economy back on track.

Thus most analysts believe Gen Chavalit will survive and the new constitution be passed, an outcome apparently supported by Thailand's military, which has staged 17 coups since Thailand became a constitutional monarchy in 1932 and has been quite vocal of late.

The Thai government will then have a maximum of 240 days to enact supplementary legislation before calling new elections under new rules that will discourage the widespread practice of vote-buying and then using political office for personal gain. Parliament cannot be dissolved until such laws are in place.

Stock prices on the Thai exchange rose 2.3 per cent and the baht strengthened to Bt36.90 against the dollar yesterday on the belief that such an outcome was likely and that Gen Chavalit would follow through on his promise earlier this week to have everything ready for new elections by March or April next year.

As long as Gen Chavalit remains in office, Thailand's political turmoil is likely to continue, political analysts say, because his coalition partners will seek to exploit his every weakness.

They say the prime minister lost his last hope for re-establishing himself late last week when, in a vindictive and angry speech to a group of farmers who had been paid to come to Bangkok to hear him speak, he said his urban Thai critics "were not of this land," a not-so-oblique reference to the Chinese background of many Thai city dwellers, including Gen Chavalit himself. In a country where most people are of mixed heritage, racial attacks are not welcomed.

"The government is still going to have problems, it's got no credibility," said Suchit Bunbongkarn, dean of political science at prestigious Chulalongkorn University and one of the authors of the new constitution. "It's too late to play catch-up."

The nationally televised no-confidence debate, in which the opposition will attack the prime minister for everything from economic mismanagement to his superstitious belief in numerology, is expected to cement his unpopularity while failing to unseat him.

The Thai government said yesterday it planned to cut an additional Bt50bn to Bt60bn ($1.4bn to $1.6bn) from its fiscal 1998 budget in an attempt to reach an International Monetary Fund target of a budget surplus of 1 per cent of gross domestic product, Ted Bardacke writes.

The cuts are seen as necessary because finance ministry officials have warned of a greater than expected shortfall in revenue collection in spite of a 3 per cent rise in the country's value added tax last month. Further tax increases are seen as politically unviable and difficult to collect.

Last week the government suspended payments to many private contractors in an attempt to keep to a budget deficit target of 1.6 per cent of GDP as of September 30, when the first International Monetary Fund review will take place.

NEWS DIGEST

Kim set to clinch top party post

North Korea has given its strongest indication yet that its de facto leader, Kim Jong-il, will formally assume power next month, three years after the death of his father and the nation's first ruler, Kim Il-sung.

Pyongyang yesterday announced the military supported the nomination of Mr Kim as head of the ruling Korean Workers' party, the nation's most powerful post. This followed by a day the nomination of Mr Kim as party leader by a provincial chapter of the party.

Mr Kim's assumption of party leadership would end uncertainty about who is in charge in Pyongyang. There has been speculation that a power struggle might be preventing Mr Kim from taking power, although most analysts believe he has been in firm control of the country.

North Korea has said that Mr Kim, whose only current official role is head of the military, had postponed taking party leadership until a traditional Confucian three-year mourning period for his father ended in July.

John Burton, Seoul

■ BURMESE STRONGMAN

Ne Win re-emerges in public

Ne Win, the retired Burmese strongman who ruthlessly ruled the isolated south-east Asian country for nearly three decades, left Rangoon yesterday for an unofficial two-day visit to Indonesia as a guest of President Suharto.

The trip has dispelled rumours that the 86-year-old former dictator, believed still to exert considerable influence on the country's military junta, was in fragile health or even dead. The reclusive Ne Win has not been seen in public since 1989.

The trip to Indonesia, with a stop in Singapore for a medical check-up on his way back, is the result of a personal meeting Mr Suharto had with Ne Win during a state visit last February, diplomats said.

The Burmese junta has long expressed a desire to adapt the Indonesian political system – with its extreme presidential power and guaranteed political representation for the country'a armed forces – for Burma's political future.

Diplomats said the fact that Ne Win's trip coincides with what could be a turbulent week in Burmese politics – the opposition National League for Democracy plans to hold a party congress just days after an incipient dialogue between it and the military government was cancelled – shows that he is no longer involved in the day-to-day governance of the country.

Ted Bardacke, Bangkok

■ INDIA-PAKISTAN TALKS

Sharif and Gujral fail to agree

The prime ministers of India and Pakistan yesterday met for talks in New York but failed to agree on concrete measures for improving relations.

Yesterday's talks, described by Pakistan'a foreign minister, Samshad Ahmad, as "cordial and frank" and "very positive", came after Nawaz Sharif, prime minister of Pakistan, in a speech to the United Nations General Assembly on Monday night invited India to open negotiations on a "non-aggression pact".

However, Mr Ahmad said that India's prime minister, I.K. Gujral, and his Pakistani counterpart did not discuss the Pakistani offer.

"The prime ministers agreed on the need for a meaningful and purposeful dialogue which would facilitate the normalisation of relations between the two countries and also improve peace and security situation in our region," he said.

Laura Silber, UN, New York

NZ offers Mount Cook as part of Maori deal

By Terry Hall in Wellington

The New Zealand government has offered to give Mount Cook, the country's highest mountain and national landmark, to the South Island Maori tribe as part of a series of undertakings to settle nearly 160 years of grievances that date back to the early days of European settlement.

Under the terms of the offer the mountain – now named after British explorer Captain James Cook who sighted it in 1769 – will be renamed Aoraki. The offer will also see large areas of other South Island lands given to the tribe, the Ngai Tahu, with 87 sites reverting to their Maori names often in combination with their modern English equivalents.

Parliament yesterday signed an agreement with representatives of the Ngai Tahu in which it acknowledged that representatives of the then British Crown used threats and pressure to gain 34.5m acres, virtually all of the South Island, for just £7,000.

The Maori people also claimed that the Crown had failed to honour promises to allow the tribe access to local fish and other food sources and provide schools and hospitals.

If the tribe accepts the offer, the government will also make a formal apology and give it NZ$170m ($108m), plus interest, to allow it to buy surplus government property in the South Island.

The tribe will also receive three large farms and a number of lakes which will be leased back to the government at a low rent for conservation purposes. Public access will be maintained.

The Ngai Tahu chief negotiator, Sir Tipene O'Regan, said a greater recovery was impossible and would involve a cost New Zealand would have been unwilling to bear. "Instead the offer provides an acceptable level of redress, and my tribe will be no longer a deeply disadvantaged people who have lost their lands, their assets and their culture," Sir Tipene said.

The 30,000 members of the tribe will be asked to decide whether to accept the offer in a postal vote. Many of the tribe's members live in Australia.

NEWS: WORLD TRADE

Japanese resist US air demands

By Nancy Dunne in Washington and Our International Staff

The US and Japan yesterday held talks in an effort to reach agreement on opening their aviation markets by a September 30 deadline.

The third round of negotiations cover cargo and passenger flights. Japanese negotiators said that Washington had put forward "excessive" demands over the number of new flights for US carriers. "The US sided demanded more than it did at the second round of talks in late August," the negotiator said.

Washington is now asking for more than 100 new flights a week for US carriers in exchange for Tokyo's demand to allow All Nippon Airways (ANA) greater liberty in trans-Pacific flights.

Under a 1952 aviation treaty, Northwest, United Airlines, Federal Express and Japan Airlines were granted special flight privileges, and Japan has been asking for the same treatment for ANA.

At unofficial talks earlier, Washington demanded 91 new flights and Japan said it could only allow 21 flights, a cut from its earlier offer of 70 flights. Japan also reiterated a rejection of the US "open skies" proposal to fully deregulate civil airline flights, although the US side insisted "open skies" should be the final goal of the aviation talks. "If they can resolve three or four outstanding issues, they will do a deal this week," said one source close to the talks. "US officials know the political pressure is only going to mount if they delay. The Japanese are also keen to secure a deal.

Having agreed to do less than an "open skies" pact – which would have eliminated restrictions on routes, capacity, pricing and entry – the question is how much will each side concede on the remaining critical issues.

Federal Express is expected to be one of the big winners from the pact, as Tokyo has indicated that it will agree to give it "beyond rights" to Asia. These "fifth freedom" rights would allow FedEx to land in Japan and fly on to other countries.

The US is demanding reiteration of "beyond rights" for United and Northwest, which has already been granted in the 1952 pact. Tokyo is insisting on a numerical cap on flights beyond Japan. This is a vital demand for the US government because it would give something to Northwest, which has been opposing a deal that is less than "open skies". Northwest has drawn support from four important Senate committee chairman: Jesse Helms of the foreign relations committee, Ted Stephens of appropriations, William Roth of finance and Alfonse D'Amato of the banking.

Another major issue is code sharing. It is believed that American and Japan Airlines will link up in a code-sharing deal and All Nipon Airlines will link up with United. The US is arguing that to promote competition US airlines must be allowed to code share with airlines from third countries.

The third area of critical disagreement is over slots. The US is arguing that it is not enough to get increased flights in and out of Japan. They want the slots specified at various airports. In the past, they say, they have been alloted "phantom rights" which never materialised into commercial opportunities.

The talks come at a time of rising US trade deficits with Japan, and President Bill Clinton is being urged to take a tough stand.

Editorial Comment, Page 13

UK seeks help for banana producers

By Alison Maitland

The UK yesterday signalled it would fight to support Caribbean banana producers threatened by the World Trade Organisation's ruling outlawing parts of the European Union's banana import regime.

The British intervention came as the WTO's disputes settlement body is tomorrow due to endorse the WTO appeal's tribunal ruling against the EU.

Jack Cunningham, UK agriculture minister, said during an EU farm ministers' meeting in Brussels that the UK found the appeal body's findings "very disappointing".

"The EU bananas regime represents a serious attempt to meet our obligations to developing countries. . . to Community producers and to other trading partners," he said.

"We are obviously concerned that parts of it have been ruled incompatible with WTO rules."

The disputes settlement body has told the EU that it must either dismantle parts of the banana regime or pay compensation to the US, which brought the complaint supported by four other countries. The US says it will not accept compensation, insisting on a change in the regime.

Mr Cunningham said the UK was a firm adherent of the WTO process and accepted that the EU's obligations "will have to be met."

But he added: "We intend to play a major role in developing solutions to the problems we now face, as the member state closest to the Caribbean countries who have traditionally supplied the UK market."

Caribbean banana producers could face ruin as a result of the ruling. European MPs last week urged the European Commission to protect them.

EU to consider ban on shipyard aid

By Guy de Jonquières

The European Commission will consider next month proposals by Mr Karel Van Miert, the competition commissioner, to outlaw most state aid to the EU shipbuilding industry after the end of next year.

The proposals are broadly supported by Mr Martin Bangemann, the industry commissioner, but are expected to spark controversy with other commission members and in the Council of Ministers, which is due to discuss them in November.

The package of measures would commit the EU to implementing unilaterally many disciplines provided for in a draft treaty on shipbuilding subsidies negotiated by members of the Organisation for Economic Co-operation and Development.

The treaty was due to come into effect at the start of last year but has been thrown into doubt because the US Congress has failed to ratify it.

The other signatories – the EU, Japan, South Korea and Norway – have done so, but it will only take effect if all endorse it.

Mr Van Miert's most radical proposal is a crackdown on operating aid, which accounted for Ecu5bn ($5.55bn) of the Ecu8.5bn in subsidies paid to EU shipyards in the first half of the 1990s.

The competition commissioner wants to prohibit from the year 2000 all contract-related aid – subsidies helping European shipbuilders compete for orders – which is not covered by OECD export credit rules or does not take the form of assistance to developing countries.

Restructuring aid, which totalled Ecu3.5bn between 1990 and 1995, would be subject from 1999 to stricter disciplines, including tougher monitoring and a requirement that recipients could not benefit more than once.

Aid for investment would be limited to support for innovation, research and development and environmental protection programmes. Rules for aid for shipyard closures would also be tightened.

The Commission is discussing whether to permit subsidies, in exceptional cases, to enable EU shipyards to compete with "dumped" exports by Asian rivals. The European industry is pressing for such provision, but some EU officials fear it could be abused.

Mr Van Miert wants his proposals to take effect at the end of next year, if the OECD treaty is not in force by then. The EU's existing shipbuilding subsidies regime, due to expire at the end of this year, would be extended on an interim basis until then.

Editorial Comment, Page 13

WTO gets a vote of confidence

Trade body can take a bow after chalking up a 'century', says Frances Williams

Recent harsh criticisms of the World Trade Organisation in the wake of rulings against the European Union on hormone-treated beef and on bananas come at a time when the WTO would seem to have every reason to congratulate itself.

Last month it received the 100th request for consultations under its dispute settlement system, handling in its 2½-year life a third as many cases as Gatt, its predecessor, dealt with in nearly 50 years. Most trade diplomats in Geneva see this as a vote of confidence.

"The WTO is seen as offering a way of resolving disputes and countries are making use of it," says Wade Armstrong, New Zealand's WTO ambassador, who is this year's chairman of the dispute settlement body.

The 100th case, filed shortly before Franz Fischler, EU agriculture commissioner, slammed the WTO for "lack of democratic control" after the hormones ruling, was actually a complaint from Brussels over a US ban on European poultry products. The 101st case was brought this month by the US over Mexican anti-dumping action on US corn syrup.

Indeed, the two biggest traders, the EU and the US, have been by far the biggest users – and beneficiaries – of the system. Washington has brought 35 cases, a third of the total, while defending 20. The EU has brought 21 cases compared with 14 complaints against it.

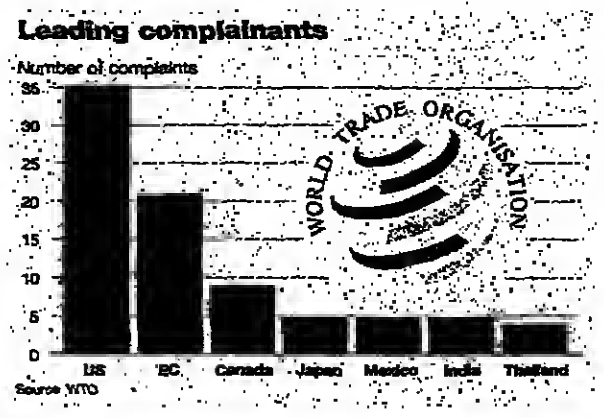
Similarly, while Caribbean banana growers have accused the WTO of serving the interests of big business against poor developing nations in the "blind pursuit of free trade", poorer countries are making far more use of the WTO than they ever did of Gatt. Their complaints are often directed against each other, but also against the leading traders.

What is more, they are winning and – in contrast to what happened under Gatt – the decisions are enforceable. Costa Rica and India have both won against the US on textiles and this resulted in the removal of the disputed import quotas. Washington is implementing a decision on rules governing cleaner petrol after losing a case brought by Brazil and Venezuela.

If these countries had to negotiate bilaterally with the US for redress, "they wouldn't get very far", says John Weekes, Canada's WTO ambassador.

And both Japan and the EU say the WTO has eased their bilateral relations with the US by removing the threat of unilateral action under Section 301 of US trade law.

Sir Leon Brittan, EU trade commissioner, made the same point this month, saying Europe and the US have "enjoyed an unprecedented period of trade peace ever since the WTO came into being".



The automatic nature of WTO procedures – a 60-day consultation period, automatic establishment of panels on the second request, and binding WTO rulings – has encouraged a less confrontational approach to disputes and increased the incentive to settle "out of court", supporters say. Most cases never reach the stage of a final panel ruling.

Some critics argue that the system is working only because the big traders have managed so far to keep their most explosive disputes out of the WTO. They fear that rejection of a WTO decision by an important member would fatally undermine the body's credibility.

Reluctance to stir up anti-WTO sentiments in the US Congress was one reason for the EU's decision earlier this year to suspend its WTO complaint against the US Helms-Burton anti-Cuba legislation, to give more time for a bilateral settlement by next month.

But the system's defenders maintain that Helms-Burton is a special case, reflecting peculiar political circumstances in the US, and should not be seen as a test by which the WTO succeeds or fails, whatever the eventual outcome.

A more widely shared concern is the increasingly juridical nature of the dispute settlement system.

"The traditional trade practices of conciliation and trade-offs have been abandoned," says Anthony Hill, Jamaica's WTO ambassador, who was involved in the banana dispute. "The process has become far too litigious."

Critics argue that this favours a US-style approach to disputes, giving the US and other leading traders backed by strong teams of lawyers extra clout in the panel process.

The closed-door proceedings, and lack of automatic access by outside lawyers and other experts, have also raised concerns.

Others take a more sanguine view. "The system is becoming more juridical but it is not excessively legalistic," says Mr Weekes. "You can't make the system work without a clear framework of rules to resolve disputes." Even after a formal ruling, countries are free to reach a negotiated settlement.

At the same time, there is a general admission that the rules are not always as clear as they might be and that legal interpretations of some rules – such as those on food safety standards – may not reflect what trade negotiators intended when they drafted them.

Experience of the dispute settlement system "is going to affect the way people negotiate the rules in future because governments will want to spell them out more clearly," Mr Weekes says. "It's going to set part of the next negotiating agenda."

NEWS: THE AMERICAS

More international companies list as US investors eye prospects abroad

NY exchange sees wider horizons

Richard Grasso looks a little smug. Large international companies are lining up to list on the New York Stock Exchange, where he is chairman and chief executive.

Hoechst, the latest, comes today, taking the total number of foreign listings up to 326 - nearly 100 more than at the beginning of 1996.

With a bit of luck, he thinks that figure could rise to as high as 600 by the year 2000.

Contrast this with the experience of the Tokyo Stock Exchange. Two weeks ago, it announced plans to ease listing requirements and costs in an attempt to check the outflow of foreign companies - a move that was promptly followed by news that Chrysler and Anheuser-Busch had both had enough.

What is going on here? Mr Grasso says that a sea change in the US financial markets is under way - a move which he has compared in importance to the financial revolution the US experienced around 100 years ago when modern industrial enterprises started to take shape.

American portfolio investors are discovering a wider world. According to Mr Grasso, their holdings of foreign equities have doubled in the last five years and will double again in the next five. In cash terms, that will represent an extra $750bn (£470bn) or more in the next five-year period.

This shift is having a big impact on trading activity. In 1991, purchases and sales of non-US equities on the NYSE, the American Stock Exchange and the Nasdaq over-the-counter market totalled $267bn, a figure which had multiplied nearly four-fold by last year. Non-US trading volume amounted to nearly a tenth of total volume traded on the NYSE in 1996.

Until quite recently, US investors were happy to keep most of their money at home.

But their horizons are being extended by the rapid growth of emerging markets and the massive wave of privatisations around the world.

Offers for sale of telecom companies have been particularly important, says Mr Grasso: they provide investors with a readily understandable entry vehicle into the international marketplace.

Institutional investors are now moving their holdings of non-US equities up to about 15-20 per cent of their portfolios.

That would still leave with them with a lot of room for further expansion: the US accounts for only around a fifth of world gross domestic product and for well under half of the total value of the world's equity markets.

So a US listing has become more than just a public relations exercise. Over half the foreign arrivals in 1996 came by way of an initial public offering, raising a total value of $6.4bn. Other newcomers want to raise their financial profile in the US to support their business activities there.

Mr Grasso, who has worked at the NYSE for 29 years and is the first person in its history to rise from the ranks to the top job, says it is important not to create unrealistic expectations in the minds of issuers before they arrive. He might have added that Tokyo is now paying the price for doing just that.

All this represents a big business opportunity for the Stock Exchange, which currently lists nearly 3,000 companies.

Mr Grasso says that there are only around 700-750 US companies which meet the NYSE's listing requirements and are not already trading on the exchange. If he got them all to sign up, the market's total value would rise by less than 10 per cent.

By contrast, 2,300 or more foreign companies meet the listing requirements. If the NYSE could persuade the largest third of these to sign up, its market valuation would rise by more than two-thirds. These companies can expect a call from Mr Grasso, if they haven't had one already.

In order to make itself more global in character, the exchange has committed itself to trading in decimals rather than fractions over the next few years.

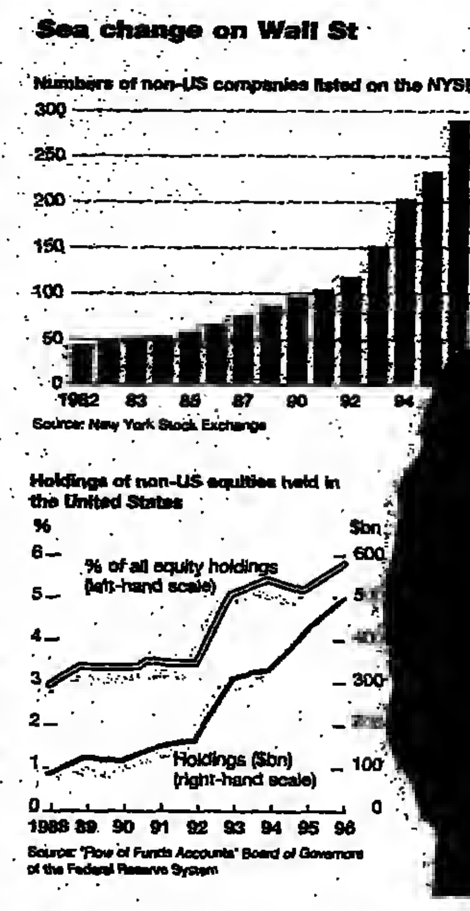
The Securities and Exchange Commission has been helpful in lowering some of the more rigid barriers to foreigners. The hope is that the SEC and the International Accounting Standards Committee will be able before too long to agree on a common accounting format for all issuers, regardless of origin.

That, thinks Mr Grasso, would open the floodgates.

Exchange officials talk hungrily about a world a few years hence in which their market will be trading on a global clock, in global currencies and in international securities other than today's American depository receipts. This is the optimistic language of a long bull market.

Yet with Hoechst, Veba, and a string of other large international companies coming down the track, Wall Street is certainly becoming a much more cosmopolitan district.

Richard Lambert



Richard Grasso, NYSE chairman

Bank of Mexico talks the soaring peso down

By Leslie Crawford in Mexico City

The Mexican currency weakened yesterday after the Bank of Mexico signalled concern that the strong peso was hurting exporters.

Late on Monday, after the peso had reached its strongest level against the dollar this year, the central bank announced technical changes to the way it manages the money supply which will allow it to combat unnecessarily high interest rates and the continued appreciation of the peso.

The announcement led to a sharp fall in the value of the peso, which traded at 7.77 to the dollar yesterday against 7.73 on Monday.

Exporters have complained for many months that the strong peso, buoyed by record inflows of foreign investment, was hurting competitiveness. In July, Mexico recorded its first trade deficit since the devaluation in December 1994.

Central bank officials said they had waited until after Mexico's July elections to introduce a more flexible monetary policy, to avoid charges of pumping the economy to win votes for the ruling Institutional Revolutionary party. The Bank of Mexico has been sensitive to such accusations since the 1994 presidential election, which was preceded by a strong expansion of credit that ultimately brought about the currency's collapse.

In its announcement on Monday, the bank said it was giving itself leeway to leave the money market long on liquidity to confront "unnecessarily high interest rates". With the elections past, and inflation on a downward trend, the bank said it could again send signals that interest rates should fall.

However, central bank officials said they would only loosen credit if interest rates appeared to be out of synch with the exchange rate, if inflation fell faster than anticipated, or if there was an undue appreciation of the peso. None of these conditions held today.

The bank stressed that its overriding concern remained the fight against inflation, now below 1 per cent a month.

NEWS DIGEST

Move to speed internet viewing

A solution to congestion on the internet, which has slowed down viewing of many web sites to a crawl, is in prospect after the announcement of a new way to broadcast data simultaneously to many users.

The service - launched yesterday by UUNet, a subsidiary of WorldCom - is designed to improve the efficiency of publishing over the internet.

It is the latest example of the convergence between the varying forms of media and communications networks, as internet companies try to combine interactive personalised content and efficient mass distribution.

The UUNet offering, which is targeted at business customers wishing to improve the efficiency of data communications between their offices, is the first "multicasting" service commercially available over the internet.

Its service is part of a broader effort by the internet industry to cope with bandwidth traffic, which is doubling in volume roughly every 90 days as more users join the internet and web sites increase in number and complexity. *Nicholas Denton, San Francisco*

■ BRAZIL

Resignation blow for Cardoso

The crisis in President Fernando Henrique Cardoso's Brazilian Democratic party (PSDB) has deepened with the resignation from its national executive of Sérgio Motta, the communications minister and one of the party's most formidable political heavyweights.

The news is a further blow to the party's hopes of strengthening its position in next year's presidential, congressional and gubernatorial elections, and will add to worries that progress will continue to be slow on long-awaited constitutional reforms.

Mr Motta left the party leadership after it refused to overturn the affiliation of Nilo Coelho, a federal deputy from the state of Bahia and a long-standing political opponent of Mr Motta's.

The PSDB has 100 out of 318 federal deputies in Congress. *Jonathon Wheatley, São Paulo*

■ PERU

Electricity auction delayed

The Peruvian government has postponed the auction of two regional electricity companies while it redraws legislation to stop any new private owner-operator acquiring a dominant position in the market.

The recent merger between Endesa of Spain and Chile's Enersis means the new company, Endersis, now owns a large stake in the Lima electricity distributor Edelnor as well as in a prominent generator, Edegel. It is a situation that privatisers had hoped to avoid.

The regional companies, Egasa and Egesur, whose sell-off as one unit at public auction has been scheduled for September 30, have combined capacity of 218MW. Situated in the south, they comprise a number of separate plants, both hydro and thermal.

Half a dozen companies were expected to bid, including some of the Chilean energy companies which have already acquired a big stake in Peru's power business.

Electricity tariffs have risen sharply since privatisation, although coverage has expanded and service has improved. *Sally Bowen, Lima*

NEWS: INTERNATIONAL

Panic and confusion over Algiers killings

Roula Khalaf tries to unravel conflicting theories after one of the country's worst massacres

Panic gripped the Algerian capital yesterday as the government confirmed that more than 85 civilians had been slaughtered on Monday night in an Algiers suburb. It was one of the worst massacres in the country's five-year conflict.

Some reports put the death toll at closer to 200. The massacre took place in Bentalha, near the popular neighbourhood of Baraki. As in many other cases, the victims were mostly women and children. Reports described an elaborate operation in which one group laid mines and traps before a second group carried out the killings.

The worst massacres appear to be taking place on the outskirts of the capital. On August 31, nearly 100 people according to the official toll – or more than 200, according to independent sources – were killed in Sidi Rais, a village about 20km south of the capital. Two weeks ago, the violence moved closer, near to Beni Messous, an Algiers suburb only 10km from the centre where more than 60 people were estimated to have died.

Last weekend, over 40 people were reported killed in Medea. The attacks coincide with stepped up security operations against hide-outs of extremist Islamist groups.

Even by Algeria's standards, the massacres of civilians have stunned a nation living in crisis since 1992, when elections about to be won by Islamists were cancelled by the army.

Amnesty International, the human rights pressure group, yesterday called on all those involved to stop targeting civilians immediately, noting that survivors have complained that security forces, often stationed nearby, have not intervened to stop the killing.

Amnesty has called on the Algerian authorities to take concrete measures to protect the civilian population and ensure that independent investigations into the massacres were carried out.

The Algerian government rarely comments on massacres and the official press only reports the big slaughters. Security information is tightly controlled, and local reporters have difficulty independently checking reports.

The government blames most of the violence on the GIA – the armed Islamist groups – on which little information is available, but which is believed to have splintered from the Islamic Salvation Front (FIS), the banned party which was set to win the 1992 elections. The FIS has condemned killings of civilians and says its armed wing, the Islamic Salvation Army, only targets the military.

But the lack of information and the surge in violence have been fuelling conspiracy theories about the massacres, all fiercely rejected by the government. Some opposition parties repeat claims often made by the FIS that the GIA is manipulated by factions in the ruling establishment, and that security forces are deliberately not intervening to stop the killings.

Some in the opposition have tried to link the rise in the violence to rumours of factional fighting among what is commonly referred to in Algeria as *le pouvoir*, the authorities. They claim that some factions in *le pouvoir* were opposed to a secret deal recently made by Liamine Zeroual, the president, with the armed wing of the FIS. The government has denied any deal. Other observers have said that the GIA might be stepping up its attacks to sabotage a potential deal with the FIS.

Algerian officials resent the accusations and say that the latest massacres are "a new twist" by Islamist extremists to which security forces are not accustomed. They also say that security forces cannot be expected to protect civilians in isolated hamlets in rural areas south of Algiers.

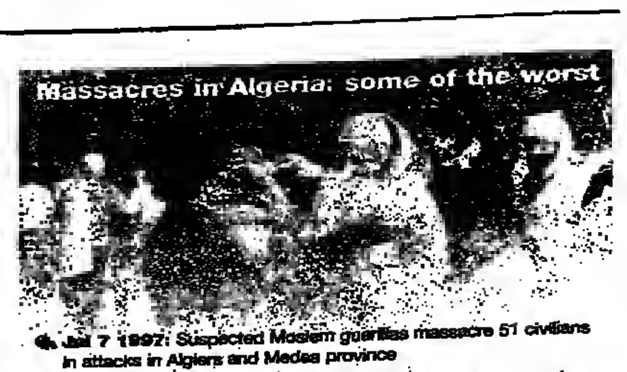
Diplomats say that at least some of the recent massacres were targeting families of men who had been active in the FIS. This was the case in Sidi Rais, for example. In the weekend massacre in Medea, Algerian newspapers reported the victims had helped the GIA. Government officials say, however, that GIA groups have turned against each other and that the FIS armed wing is also taking its revenge on GIA families.

Most observers believe that there is no single explanation for the atrocities in Algeria. Even government officials admit some of the violence is related to banditry, rather than political motivation. In rural areas south of Algiers, there is talk of disputes over land generating some of the attacks.

In a country where rural populations have been given arms to protect themselves, some opposition parties have alleged that reprisals and family vendettas can explain some of the violence. The Algerian government rejects claims that civilian militias could be involved and say they are strictly instructed not to engage in attacks.

As the violence reaches closer to the capital, Algiers residents are becoming convinced that they have to protect themselves. In recent weeks, they have been buying sirens, organising neighbourhood night watches and arming themselves with axes and knives.

Massacres in Algeria: some of the worst



- **Jul 7 1997:** Suspected Moslem guerrillas massacre 51 civilians in attacks in Algiers and Medea province
- **Jul 27:** Gunmen, thought to be Moslem guerrillas, kill more than 70 people in villages south of Algiers
- **Aug 2:** Moslem guerrillas, armed with swords and guns, kill more than 60 villagers in two attacks south of Algiers
- **Aug 5:** Moslem rebels kill more than 100 people in a series of massacres over three nights in Blida province
- **Aug 22:** Suspected Moslem guerrillas kill 64 people and kidnap 15 young women in Souhane village, Blida province
- **Aug 26:** About 100 people killed in massacres in Beni Ali area, south of Algiers over two nights
- **Aug 31:** Moslem rebels kill 98 people and wound 120, mostly women and children, in Sidi Rais, Blida province
- **Sep 6:** Sixty people estimated to have died in massacre at Beni Messous, 10 km from centre of Algiers
- **Sep 22:** Suspected Moslem rebels kill at least 85, wound 67 in Baraki district of Algiers

UK calls for new Security Council

By Laura Silber, Michael Littlejohns and David Buchan in New York

Britain's Labour Government yesterday put its weight behind reform of the United Nations, calling for Germany and Japan to join an expanded Security Council.

Robin Cook, UK foreign secretary, called for a "United Nations that is efficient, representative and properly funded", so that the organisation could play a "bigger role than ever before".

In a clear reference to the US, which owes an estimated $1.5bn to the cash-strapped UN, Mr Cook said member states must pay their outstanding dues.

"It is not equitable that some members pay their contributions while others do not. Britain pays in full and on time," Mr Cook said in his first address to the General Assembly.

Britain joined the push for decisive action on UN reform, including expansion of the Security Council, whose permanent members are limited to the five major victors of the second world war.

"We all agree that what was appropriate in 1945 is not what is right in 1997," said Mr Cook.

In addition to calling for Germany and Japan to join the Council, he said the Council's membership should be expanded to include bigger developing countries, though he mentioned none by name. "There should be a balance between developed and developing countries in a modernised Council," he said.

Italy has waged a campaign to block reform of the Security Council, unless it, too, is named a permanent member.

Speaking as current president of the EU, Jacques Poos, Luxembourg foreign minister, was unable to outline any common position on Council reform because of divisions on the question among the members, especially the Italians.

In a swipe at the US and other substantial debtor states, Mr Cook said EU members funded 35 per cent of the UN's regular budget, and "have always honoured their financial obligations promptly, fully and unconditionally. Britain expects every country, however large or however small, to do the same".

Although declining to publicly endorse German and Japanese claims to permanent membership, the UN secretary general, Kofi Annan, is known to favour their entry because it would be an inducement to increase their contributions to the UN budget.

China backs developing countries

By John Ridding and Robert Chote in Hong Kong

The divide between rich and poor nations is widening, posing a threat to the prosperity of the developed world, Li Peng, China's prime minister, warned yesterday.

"The unjust and inequitable international economic order still puts interests of the developing countries in harm's way," Mr Li told the opening session of the IMF/World Bank meeting in Hong Kong.

"The prosperity and affluence of a small number of countries cannot last long on the basis of poverty and backwardness of the majority countries."

James Wolfensohn, the World Bank president, echoed this theme, arguing that "inclusion" was the most important development theme of our time.

Mr Wolfensohn told the session that the World Bank should be more selective in allocating its resources, concentrating lending on countries that had good policy track records and that had tackled corruption.

Mr Li predicted China would become a "prosperous, democratic and culturally advanced society" by the middle of the next century. He said the rise would be helped by Hong Kong, which was set to play an increased role to the modernisation of the mainland.

China's rise, said the premier, was part of a broader emergence of the developing world. "The rise of the developing world is a far-reaching event. It has smashed the monopoly of world affairs by a few countries and lent a powerful push towards a multi-polar world," he said.

But sustainable development would require the observance of six principles, according to Mr Li. These included respect for different national conditions, non-interference and assistance to developing countries.

"After the end of the cold war, some people no longer regard development as a crucial issue," he said. "Developed countries in particular should adopt effective measures to meet their pledges of providing funds and technical assistance to the developing countries."

While Mr Li did not mention China's bid to join the World Trade Organisation, his warnings echoed Beijing's position that the US and other trading partners should not make "unreasonable demands" of a developing country.

"The developing countries are equally entitled to participate in the making of decisions and rules affecting the international economy," he said.

Alan Greenspan, Fed chairman, catches up on the news during the opening ceremony yesterday

UK bank governor casts doubt on single currency

By Robert Chote

Eddie George, governor of the Bank of England, said yesterday he was not convinced that the discipline of participating in Europe's proposed single currency would force countries to promote the flexibility in their labour markets which they need to get unemployment down.

In a typically sceptical assessment of Europe's plans for economic and monetary union, Mr George told the British Chamber of Commerce in Hong Kong that differences in economic cycles, fiscal positions and unemployment between European countries might produce tensions in the setting of a single European interest rate.

He said he was not convinced that the disciplines of the single currency itself "will enforce convergent behaviour, including structural adjustment, so that the regional tensions which I have described will not in practice materialise".

He added: "The longstanding weakness of the economy in the south of Italy, despite a single currency with the north, or the continuing weakness of the east German economy since currency reunification with western Germany, suggest that such behaviour is by no means certain," he argued.

The governor said there was no doubting the political determination of most of Europe's leaders to press ahead with monetary union on time. But he said it was difficult to see why any country should want to join – or be permitted to do so – unless it was clear that genuine, sustainable economic convergence had been achieved.

"Emu is after all for ever – and that seems a very long time to me," the governor said. "I don't really understand the hurry."

Nonetheless, it would be prudent to assume that Emu will go ahead in spring next year among at least a core group of countries, he said. He noted that the UK government had not definitively ruled out joining in the first wave, but that it had pointed out the "formidable difficulties" in the way of participating from day one.

Plea to keep houses in order

By Robert Chote

Countries have a responsibility to keep their economic houses in order, because the effects of failure can spread to innocent neighbours with sound policies, the International Monetary Fund said yesterday.

Michel Camdessus, the IMF's managing director, said the larger an economy was, the greater the responsibility it had to pursue sound policies.

"No country should accept the risk of going down in history as one that triggered a domino effect," he told the IMF's annual meeting.

The managing director outlined a favourable outlook for the world economy, but warned that "we do not need to look very far to find problems that stand in the way of our objective, namely high-quality growth".

In parts of Europe the problem was malfunctioning labour markets, he said. In parts of Asia and Latin America, though not exclusively there, the problem was "fragile banking systems and persistent inequalities in economic opportunity".

Mr Camdessus added that it was important not to overlook the risk that inflation might pick up again in economies "where output is pressing upon capacity" – implying the US and UK.

NEWS DIGEST

Iran, Turkey restore ties

Iran and Turkey have agreed to restore top-level diplomatic relations after they recalled their ambassadors in a row earlier this year, the official Iranian news agency IRNA reported yesterday.

It said the agreement was reached at talks between Kamal Kharrazi, Iran's foreign minister, and Ismail Cem, his Turkish counterpart on the sidelines of the UN General Assembly to New York.

"The foreign ministers of Iran and Turkey on Monday agreed to further broaden bilateral co-operation and upgrade diplomatic ties to ambassadorial level," IRNA said. They... "also agreed to reactivate committees dealing with economic and political co-operation," it added. "The Turkish foreign minister said that Ankara was determined to further strengthen relations with Tehran and exchange ambassadors in the immediate future," it added. Ankara and Tehran were involved in a diplomatic row in February when Iran's ambassador made remarks interpreted by Turkish media as a call for introduction of Islamic sharia law in secular Turkey. *Reuter, Tehran*

■ LABOUR SAFETY

ILO prepares logging code

The International Labour Organisation is hoping to cut the toll of deaths and injuries among the world's 3m forestry workers with a new code of practice covering safety, productivity and environment-friendly logging practices.

Experts from 10 leading timber producing countries, including Brazil, Canada, the Czech Republic, Sweden and the US, yesterday began a week-long meeting to discuss the draft code before it goes to the ILO's governing body for approval.

Forestry, along with mining and construction, is one of the most dangerous sectors to work in, with two to three times more accidents and deaths than the industrial norm, according to the ILO.

Thousands of forest workers die or are injured each year by unsafe working practices or falling trees. In the US, the probability of loggers being killed on the job during a 25-year career is one to 20.

Even in expert hands, "the chainsaw is one of the most potentially dangerous tools ever invented," the ILO says, pointing out that it can cause not only cuts and wounds but also deafness and injury from vibration.

Careful felling both cuts accidents and saves damage to young growth and reduces damage to forest soils and water courses, the ILO notes. *Frances Williams, Geneva*

Bidding 'war' for investors is condemned

By Chris Tighe in Newcastle upon Tyne

A bidding war for investment projects between regions of the UK was predicted yesterday by Sir George Russell, Northern Development Company chairman, unless the UK government ensured that they are dealt with centrally in London by the Department of Trade and Industry.

Rival bidding leading to an auction between competing parts of the UK, at needless cost to the taxpayer, would result from any government decision to give the proposed English Regional Development Agencies the flexibility already enjoyed by their Scottish and Welsh counterparts, said Sir George.

Such a structure would cause big tensions between the English regions, he added, and would also irritate potential inward investors, who would be unable to be sure whether they had won the best possible deal.

Speaking at the annual general meeting of the Northern Development Company, the economic regeneration and inward investment body for north-east England, he said that the region was already at a continuous disadvantage against Scotland and Wales in its inward investment efforts, even though it had the highest regional unemployment rate in Britain.

"Does a regional policy for the UK made sense when some regions seem to operate outside it?" asked Sir George.

But, speaking afterwards, he said the solution was not to give the English RDAs, due to be start operating in April 1999, the same flexibility in assembling incentive packages which Scotland and Wales already have. "The possibility of chaos grows with each one [new regional agency] which comes up," he said.

Sir George's comments are the latest stage of lobbying by English regions to ensure that devolution for Scotland and Wales does not result in their having much enhanced financial firepower with which to lure big job-creating inward investment projects.

In its 1996/97 figures, released yesterday, the Northern Development Company, a partnership of the private and public sector and trade unions, said it assisted 54 overseas investment projects, expected to be worth £652.9m ($1,05bn), during the year. The projects created 3,487 jobs and safeguarded 4,474, it added.

Claims that taxpayers' money is being wasted because of regional competition for inward investment projects are likely to be investigated by the House of Commons Treasury committee, David Wighton writes.

Giles Radice, chairman of the committee, is backing the move amid concerns about bidding wars between rival agencies trying to attract big investments.

MPs in northern England are particularly concerned that Wales may snatch a potential 3,000-job investment by Acer, the Taiwanese computer manufacturer. There was also disappointment last year when Northumberland County Council in northern England lost to Wales in the fight to win a £1.6bn ($2.6bn) investment by LG of South Korea.

Jim Cousins, chairman of the northern group of Labour MPs, also wants the committee to consider the formula which ensures that Scotland and Wales receive higher public spending per head than England.

"It is very hard to justify that the Welsh Office is using taxpayers' money to bribe a development from the north-east to south Wales," he told the Newcastle Journal.

N Ireland company will build components for Canadair and De Havilland jets

Bombardier offshoot wins $31m aid

By John Murray Brown in Belfast

Short Brothers, the Northern Ireland aerospace offshoot of Bombardier of Canada, is to receive a £19.5m ($31m) grant from the UK government to support two new manufacturing projects.

The company announced a £108.4m investment programme last February to design and manufacture the fuselage and nacelles, which house the engine, for the Canadair Regional Jet Series 700, and nacelles and wing components for the De Havilland Dash 8-400.

Alec McRitchie, Shorts personnel director, said the investment reflected the buoyancy across the aerospace industry, where demand for aircraft is picking up.

Mo Mowlam, the chief minister for Northern Ireland in the British government, said the announcement would give a big boost to the local economy.

The new work meant that the company would have designed and manufactured four fuselages for business and regional jets in eight years. "No other aerospace company anywhere in the world has developed as many fuselages in such a short period of time."

Work on the Canadair regional jet would involve Shorts in working closely with the world's biggest engine manufacturer, General Electric of the US, for the first time.

"Partnerships like these help to develop Northern Ireland's reputation as a world-class manufacturing centre," she said.

The company said the two projects would create more than 300 jobs and safeguard more than 600 others. Shorts employs 6,200 people in Northern Ireland in its aerospace and defence and missiles divisions. A further 2,800 are employed in support services worldwide.

The aircraft programmes, when fully in production, will "more than replace" the jobs lost through the collapse of Fokker, when 900 Shorts workers were laid off after the Dutch company was forced into bankruptcy.

The financial results for the year to the end of January suggest the company has weathered Fokker's demise better than expected.

Fokker, for which Shorts made wings, had accounted for 17 per cent of overall sales. But through the expansion of its other programmes, Shorts was able to limit the fall in turnover to less than 10 per cent to £358m, down from £391m. Pre-tax profits fell from £33.8m to £30.1m.

Bombardier now accounts for 60 per cent of Shorts' activities, but it also has link-ups with Boeing, Rolls-Royce and British Aerospace.

Greenpeace opposes oil drilling permits

By John Mason, Law Courts Correspondent

The Labour government's first major clash with the environmental movement began in the High Court in London yesterday when Greenpeace accused it of trying to suppress debate over the legality of allowing exploratory drilling for oil in the North Atlantic.

Greenpeace is attempting to bring a legal challenge to the previous government's decision to award offshore exploration licences to 30 oil companies to operate in the North Atlantic frontier area. The decision, taken shortly before the general election, has been supported by the Labour government.

Greenpeace is attempting to bring proceedings against the government and the oil companies including BP, Shell, Elf, Mobil and Texaco. It claims the licences were illegally issued because the government failed to consider its duty under the European Habitats directive to protect rare coral reefs found in the North Atlantic frontier.

However, the government and oil companies say Greenpeace has brought its legal challenge too late. They say it should have challenged the licensing regulations soon after they were introduced in 1994.

At yesterday's hearing, to decide whether Greenpeace can formally apply for a judicial review of the government's decision, lawyers for the group claimed the government's tactics were intended to prevent the issues being aired.

Nigel Pleming said the government and oil companies had accepted Greenpeace had a case but attacked it as weak.

Their claims that the group had acted too late "is, if not a device, a fairly clear attempt to prevent that argument being commenced", he said.

Had Greenpeace challenged the regulations before the licences were granted on April 7, it would have been accused of acting prematurely, he said.

Reuters

Lord Melchett, Greenpeace executive director in Britain, leads a protest outside the court

Telecoms regulator declines second term

By Alan Cane in London

Don Cruickshank, the UK's telecommunications regulator since 1993, announced yesterday that he intends to quit when his current term ends in March next year. The unexpected announcement surprised the industry which had been speculating that Mr Cruickshank had ambitions to preside over a new, broadly based regulatory body encompassing telecommunications and entertainment.

No such body is currently envisaged, however, and Mr Cruickshank yesterday denied any such ambition: "I decided about a year ago that one term of office as telecoms regulator was right for me. I told ministers soon after the general election in May, and that I would like to divide my time in the future in a different way between public and private sector activities."

Mr Cruickshank, who earns about £132,000 ($212,520) a year, went on to say he believed the industry would be best served by a commission rather than an individual regulator.

Suggestions that his decision could have been the result of disagreements with ministers were rejected yesterday by the government.

Colleagues said that in a career which has included senior positions with The Times group, Pearson (owner of the Financial Times), Virgin Group and Wandsworth Health Authority, he has never stayed in one job for more than five years.

Mr John Butler, head of regulatory affairs for British Telecommunications, with whom Mr Cruickshank has had a series of running battles, said although the two had not seen eye to eye on many issues: "He has had an amazing effect on telecoms in the UK. More than 30 per cent of households now have a real choice of telecoms operator. This is virtually unique in the developed world and he can take the credit for it."

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Soccer on pay TV to earn 'only $725m'

By Simon Kuper in London

Soccer will receive far less money from pay-per-view television than previously thought, even though a third of the population follows the game, according to the most comprehensive report yet on the soccer market in England and Wales.

Pay-par-view television will generate only £450m ($725m) in revenne a year by 2003, with 2.5m people paying to watch individual matches. This compares with some forecasts by banks, consultancies and club executives of 10m paying viewers and revenues of £2bn a year or more.

The forecast, from an independent report to be published on Friday by Fletcher Research, the business publisher, and Oliver & Ohlbaum, the media consultancy is based on the first anthoritative study of the number of fans.

The report found that Manchester United has 3.29m supporters, more than any other club. The figure is derived from several thousand telephone interviews carried out by Continental Research, a market research company. Liverpool is the second biggest club with 2.18m and Newcastle United third with 1.42m.

The size of the supporter base is the best indicator of a club's potential revenue, the report says. The five clubs with the most supporters had the highest turnover last year. However, some clubs achieve seven times more off-pitch revenue per fan than others.

Liverpool is the biggest underperformer, generating just £3.60 in such revenues per fan in 1995, compared with £11.90 for Manchester United. Total revenue for Premier League clubs will grow by an average of 14 per cent a year to reach £1.1bn in the 2004-05 season, up from £350m last season, says the report. By 2005 television will account for 49 per cent of club revenues, it adds.

Customers 'may not be aware it's in provisional liquidation because of frauds', court is told

Closure order is sought against promoter

By Robert Wright in London

The UK Department of Trade and Industry yesterday pressed for the immediate winding-up of a cashback promoter on the grounds that its creditors might not know that apparent fraud had led to the appointment of a provisional liquidator.

A lawyer for the department was speaking at a hearing of the High Court in London to determine whether Intervest Capital Ltd, based in Las Vegas, and Intervest Capital plc, based in south-east England, should be placed in liquidation.

Intervest ran a sales promotion scheme under which retailers and manufacturers provided customers with "cashback" cheques, redeemable after five years, for all or some of the value of their purchases.

Intervest received fees of about 11 per cent of sales of promoted goods from clients. Intervest claimed to have insured against the risk customers would remember to claim the money back, and to have invested enough money to cover the full value of the cheques involved.

However, in August, the High Court appointed the official receiver as provisional liquidator of Intervest Capital Ltd and Intervest Capital plc. The DTI had requested the appointment because it had not established the financial status of the US company or found evidence that a fund had been set up to pay the claims.

Asking for an immediate winding-up, a lawyer for the department said yesterday: "The customers and promoters may be aware it [Intervest] is in provisional liquidation but they may not be aware it's in provisional liquidation because of the frauds." These frauds are believed to relate to doubts over the true value of Intervest Capital Ltd, the US company, which was not represented at the hearing.

Barry Isaacs, a lawyer for Intervest, said a rescue plan was being prepared, and asked for an adjournment to work out the details. "If a rescue plan is put together in the next two weeks, creditors will be well served, as will the public," he said.

Mr Registrar Rawson, who presided over the High Court hearing, adjourned the case until at least October 13.

Charles Cordon-Seymour, a director of Intervest Capital plc, said before the appointment of the provisional liquidator that his company was a wholly-owned subsidiary of the US company. He said Intervest Capital plc was the marketing arm of the US company. He denied any knowledge of the US company's accounts – the focus of suspicion in the alleged frauds.

Leaders of rival parties talk of pact

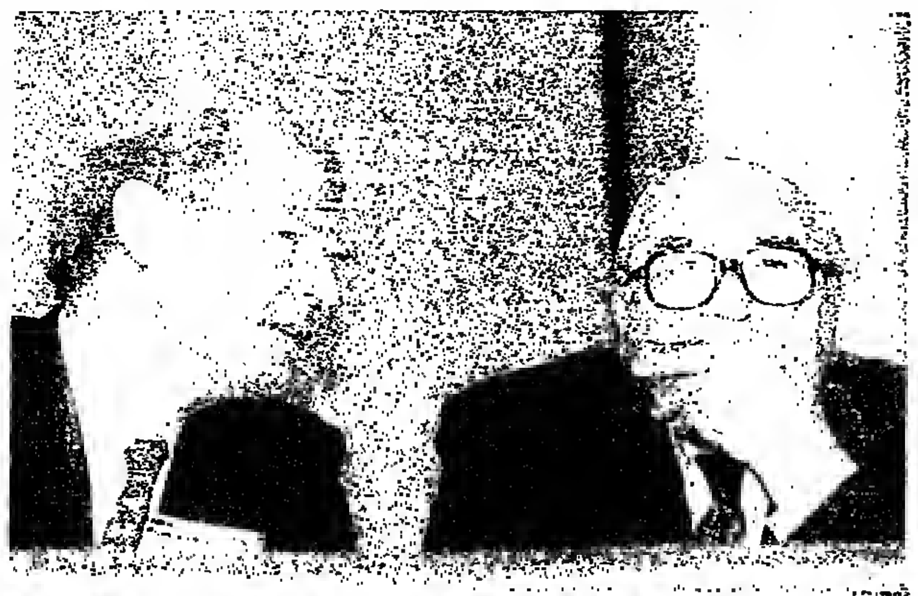
Pro-EU Liberal Democrats have received friendly approaches from Tony Blair

At 04h00 oo May 2, Paddy Ashdown received an unexpected telephone call from Tony Blair, the Labour leader whose party was on its way to a landslide victory in the general election.

"We are still on to sort something out between us," said the oian who would shortly be the oew prime minister. "I will be in touch."

The Liberal Democrat leader was surprised. Mr Blair was suggesting the two parties should work closely after Labour formed the government, but Mr Ashdown had thought this would happen only if Labour's majority in the House of Commons was comparatively slender.

But Mr Blair won a 179 seat majority so he had no need to do any deals. But he was not motivated by short term political considerations.



Paddy Ashdown (left), leader of the Liberal Democrats, speaking to Lord Jenkins, leader of the party's group in the House of Lords. Lord Jenkins, formerly Roy Jenkins, was a Labour minister in the 1960s and president of the European Commission in the 1970s

He wanted to build long term strategic links between the two parties.

Within two mooths, he had made good his promise and had set up a cabinet committee on constitutional reform, involving six Labour ministers and five senior Liberal Democrat MPs.

In the mooths before the general election, Mr Blair had formed a close relationship with Mr Ashdown. They would meet every two or three weeks, either alone or over dinner with their wives. "Blair was spending more time with Paddy than with most of his own front bench," says a senior Liberal Democrat.

They discussed a range of options for working together after the electiou. According to a close friend of the prime mloister, Mr Blair would have offered Liberal Democrats posts lo his government if he had won by only a small majority. "Tony was a bit disappointed in one sense when this became impossible," he says.

Meanwhile, the Liberal Democrats were doing detailed work, led by their president, Robert Maclennan, on the procedures necessary to sell a coalitioo deal to their members if one was offered by Labour. But Mr Blair and Mr Ashdown also discussed alternatives to this form of pact.

One possibility was for one Liberal Democrat frontbencher to be a member of several committees. However, Mr Blair opted for the special joint committee. His respect for Mr Ashdown was palpable at the first meeting of the new committee. "The meeting was really a dialogue between the two of them," says one of those present.

It is little wonder then that Mr Ashdown has developed great respect for the prime minister. "It verges on hero-worship," says a Liberal Democrat frontbencher.

However, it is this relationship between the two party leaders which is seen by Liberal Democrats as both presenting an opportunity for their party and a considerable risk.

Some Liberal Democrats – and certain members of the government – fear that Mr Blair and Mr Ashdown are more interested in personal power than in the interests of their parties.

A less inflammatory way of putting this – and probably a more accurate way – is to say they want to keep the centre and centre-left in office for as long as possible.

Neither leader can speak publicly about these possibilities, for fear of fomenting open revolt among the rank and file.

Labour and Liberal Democrat activists have been fighting each other for far too long to take easily to the notion that they are fundamentally members of the same family.

But the softly-softly approach to forming links carries more risks for Mr Ashdown than for Mr Blair. Over time he is likely to be seen as Mr Blair's courtier. If Labour's popularity were to wane, the Liberal Democrats standing might fall even more, returning them to a position of almost no influence in British politics.

Robert Peston

Call for probe into airport operator

BAA's dominance in the operatioo of airports in south-east England should be investigated by the Monopolies and Mergers Commission, the Liberal Democrats said at their annual conference yesterday, George Parker writes.

Reviving a proposal put forward by the House of Commons transport committee in the last parliament, the party said the commission should examine the public interest benefits of splitting BAA, which operates Heathrow, Gatwick and Stansted airports.

BAA has vigorously opposed an inquiry, and yesterday said the issne was "dead". Graham Allen, a former Labour party transport spokesman, mooted the idea of breaking the BAA monopoly in 1996, but his views were rejected by Tony Blair, who has since become Labour prime minister.

The Liberal Democrats yesterday narrowly backed an amendment calling for a limit to be placed on the amount of air traffic using UK airports. Tom Brake, transport spokesman, opposed the amendment but spoke in favour of measures to redoce air traffic, including a tax oo aircraft fuel.

UK NEWS DIGEST

Rights warning issued to Brazil

Tony Lloyd, foreign office minister with responsibility for Latin America, has underlined the government's commitment to "ethical foreign trade" during a visit to Brazil, where he said British diplomats would press for progress on human rights reforms. Mr Lloyd stressed his interest in the issue during his visit, which ended yesterday and included meetings with Brazilian ministers, business groups and non-governmental organisations. Asked if British diplomats would press for action on specific human rights issues, he said: "They will from now on."

He said he hoped other governments, such as Canada's, would join Britain in pushing for reform. Areas of concern included reform of Brazil's so-called military police, recently implicated in a series of killings, beatings and kidnappings. The Brazilian government has been praised by human rights organisations for its public commitment to the issue. *Jonathan Wheatley, Sao Paulo*

■ ECONOMY

GDP revised upwards

Gross domestic product for the second quarter has been revised from an annual rate of 3.4 per cent to 3.5 per cent, reflecting strong economic growth early this year. The revision caused little surprise in financial markets, but analysts pointed out the figures did little to dispel fears of rising interest rates in the near term. The pound yesterday rose marginally against the D-Mark, but this was largely attributed to D-Mark weakness.

The UK Office for National Statistics also yesterday released figures showing a £888m ($1.4bn) surplus in the balance of payments during the second quarter, the third quarterly surplus in a row, after £1.36bn in the first quarter and £508m in the final quarter of 1996.

Wolfgang Münchau, London

■ HEALTH INSURANCE

Demand continues to falter

Spending on private medical insurance rose 10 per cent last year to £1.8bn ($2.9bn), though nearly all the increase resulted from higher premiums as growth in demand continues to falter. Some 6.8m people, or 11.3 per cent of the population, were covered by private healthcare policies at the end of 1996, including those in "non-insured" schemes paid by employers, according to the latest Review of Private Healthcare by Laing and Buisson, published today.

That is an increase of 1.8 per cent during the 1996 calendar year, but there are still 9 per cent fewer people covered than at the height of the industry's expansion in 1990. *Simon Buckby, London*

■ NTL EXPANSION

Fibre optic link to Ireland

NTL, the telecoms and entertainment group, is investing £30m ($48m) in a fibre optic link between Belfast, the chief city in Northern Ireland; Dublin, the capital of the Republic of Ireland; and the British mainland. NTL says it will provide the first alternative to using British Telecommunications for operators and large corporations sending telecoms traffic between the republic, Northern Ireland and the rest of the UK. *Alan Cane, London*

Contemporary look for opera

San Francisco director-general aims to attract first-time opera-goers, writes Andrew Clark

From his quiet, functional office high above San Francisco's Market Street, Lotfi Mansouri gazes out across the city skyline before summarising his mission. "I'm looking at every way of extending the reach of opera," he says. "I want to make it an accepted part of American culture, not just an exotic art-form imported from Europe."

As general-director of the San Francisco Opera for the past 10 years, Mansouri, 66, has gone some way towards that goal. In 1994, he staged the premiere of Conrad Susa's *The Dangerous Liaisons*, which – thanks to an accessible score and starry cast – had the unusual distinction of bringing full houses to a contemporary work.

Mansouri has commissioned two more operas. Former Hollywood film composer André Previn is writing *A Streetcar Nomed Desire*, based on the Tennessee Williams play. It will open next September with American diva, Renée Fleming, as Blanche DuBois. Bobby McFerrin, better known for his easy listening albums, will write an opera based on Kleist's *Saint Cecilia* to a libretto by *Angels of America* playwright Tony Kushner. The premiere will be in 1999.

Aficionados of contemporary opera may sneer at the populist tone of these commissions, which are worlds away from the hard-edged modernism beloved of European composers, but Mansouri is determined to take opera back into the popular mainstream.

At War Memorial Opera House, the San Francisco Opera's home, he has 3,200 seats to fill every night, and only the tasta of his subscribers and donors to fall back on. Over the past 18 months, while the theatre was in the midst of a $88.5m programme of earthquake-proofing and refurbishment, Mansouri laid on two short seasons of Puccini in a downtown theatre. With tickets starting at $12, La bohèma was seen by 45,000 people, *Madama Butterfly* by 30,000. More than 60 per cent ware first-time opera-goers. "These are the people I want to get back into the opera house," he says.

The company's 75th anniversary season is not a bad start. For *Tosco*, which opened three weeks ago, Mansouri resurrected the set designs that accompanied Puccini's opera at the inauguration of War Memorial Opera House in 1932. *Le nozze di Figaro* follows on October 9 with a cast led by charismatic Welsh baritone Bryn Terfel. The German repertoire is represented by *Der fliegende Holländer* (September 30) and *Elektra* (October 18), in stark modern productions imported from Geneva; the French by *Pelléas et Mélisande* (November 9), with Simon Keenlyside and Frederica von Stade in the title roles. *Guillaume Tell* (November 2) offers a rare outing for an opera widely regarded as Rossini's finest; and *Eugene Onegin* (November 19) continues San Francisco's link with the Kirov Opera, which is lending its production.

A "femme fatale" season planned for next June looks equally appetising – it comprises *Carmen*, *Lulu* and *L'incoronazione di Poppea*, with the Mark Morris production of Rameau's *Platée* thrown in as an ironic makeweight. There will be concurrent screenings of *Pondora's Box*, the Louise Brooks film based on the same Wedekind plays as Berg's opera – plus a forum where feminist groups can discuss the issues. "We want the 'femme fatale' season to be a launch-pad for wider intellectual debate," he says. "It's important that people realise these are not just dumb stories, but have wider philosophical ramifications."

Steering an opera company through 18 months in exile would turn many an impresario into a nervous wreck – but, even after staging this season's inaugural gala and two opening productions, Mansouri is his usual effervescent self. Asked whether he will be renewing his contract beyond 1999, he answers "Insh'Allah" (God willing) – a reminder of his Middle Eastern background.

Mansouri, born in Iran, studied psychology in Los Angeles before turning to opera. By his mid-30s, he had sung Valzacchi to Gwyneth Jones's Annina in *Der Rosenkavalier* in Zurich and served an apprenticeship under Rudolf Hartmann at the Salzburg festival. As a producer, he worked in most of the world's leading opera houses, becoming director of the Canadian Opera Company from 1976 to 1988. He is the fourth general-director of the San Francisco Opera.

Looking more like an oil tycoon than the boss of a high-profile arts company, Mansouri enjoys the social obligations that go with his job. Defending himself against charges that San Francisco's staging policy is overly conventional, he points out that "this was Jean-Pierre Ponnelle's American home for 20 years, and his *Dutchman* was more conceptual than anything the Alden brothers have done. We want productions that add to the opera rather than detract from it. I don't like caprices."

To underline his point, Mansouri discloses that the San Francisco Opera is moving from a six-month repertoire season, with productions running concurrently, to a *stagione* spread over 10 months. The change, to take place in 1999, means each production can be rehearsed and performed separately. The aim is to achieve better artistic results.

"At present, everything gets bunched up. Under the new system, we'll have some breathing space and be able to rehearse on stage. It's also a question of spending money in a more efficient way – I won't have to pay so much overtime to the night crews," he says.

There speaks the realist. For all his populist dreams, Mansouri knows that opera in the US means balancing the books and satisfying the board. Slipping into philosophical mode, he observes: "Every opera company is a reflection of the community it serves. What can this community support? Without their support, you can't do anything. But you have to be old before you realise that . . ."

Lotfi Mansouri: 'I don't like caprices'

Theatre/Sam Albasini

Family at war

At Chichester's Minerva Theatre, on its way to the Donmar Warehouse, we have a rare treat, *Electra* in a new version by Frank McGuinness starring Zoe Wanamaker.

Even before the play begins we are, in Johan Engel's stark set, presented with the ruin of the house of Atreus. The faded chairs and great marble table have sunk into the earth that surrounds them as if engulfed by an earthquake.

Director David Leveaux has found parallels in this relentless cycle of inter-family butchery to our recent European civil wars, and indeed when Electra and the black-clad Chorus first appear, they do call to mind survivors of a great conflict come to pick over the dead. Although there are three women in the Chorus, the director has chosen to give all the Chorus's lines to one actress, Jenny Galloway, and in doing this he has set her an extremely hard task asking her to be exultant and gloating whilst simultaneously cautious and neutral.

Strangely for a play which exhausts all that can be said about Greece and for a character who heaves her heart into her mouth with every line, this Electra's most expressive moments were her non-verbal ones: at the start of the play when she descends from her hiding place, a diminutive Pierrot, wearing her father's threadbare coat like a hair shirt; on hearing the news of her brother's death when she slumps at the foot of the table like a broken puppet; or when, as her mother Clytemnestra is being butchered off stage, she starts up a cry which begins as a mockery of her death throes, tries to become triumphant laughter and ends as shuddering horror.

"She waits for her glory till stone turns to water" is how the Chorus describes Electra, and this image becomes a central one for the production. Although we see and hear the relentless drip of water on the marble table, we never see Electra's calcified heart melt.

Sophocles' Electra, even more than Euripedes' weaker and more neurotic version, reminds one inescapably of a female Hamlet. Here she has the will and means to avenge her father's death, and it is only her gender that prevents her from being the avenging angel.

However, other less pleasant parallels present themselves. What upsets her even more, it seems, than her father's murder is the fact that her mother is sharing the murderer's bed. It is not so much sexual jealousy that Electra suffers but more a childlike jealousy at being supplanted in her mother's affection by an adult man. We see echoes of this as Wanamaker greets her long lost brother, Orestes. She embraces him as if she were both child again and lover, and her confrontation with her mother, the majestic Marjorie Yates, has distinctly adolescent undertones despite her righteous indignation and the justice of her case.

There is righteous indignation aplenty in Andrew Howard's Orestes. Unlike the versions by Euripedes and Aeschylus, Sophocles's Orestes does not have much of a journey in this play, but Howard makes as much of it as he can. With his beautiful voice, Rudolph Walker imbues the part of the Tutor with a presence and solidity it might not otherwise have.

All the actors in this production have extraordinary and interesting voices, and although I understand the director's caution in letting rip with the physical manifestation of the verbal outpourings of emotion on the stage, there were times – for example with Orla Charlton's Chryeophemie – where this became merely static sound, and one longed for more physical interaction between the actors.

Although short in length, this is a huge play; and as with other Greek plays of this period, the moral and social lessons to be learnt from these tragic examples are as real today as they were in Sophocles' time.

At the Minerva Theatre, Chichester until September 27.

Alastair Muir

Zoe Wanamaker as Electra in Frank McGuinness's new version of Sophocles' tragedy

New York City Opera

Welcome return for Macbeth

Although Paul Kellogg has been general director of New York City Opera for well over a year, the season that recently opened at the State Theater is the first for which he is wholly responsible.

The inaugural offering – a new production of Verdi's *Macbeth* – was not flawless, but it was self-assured and convincing, and it was greeted by cheers, applause and full houses. While it cannot be considered a rarity, *Macbeth* has been absent from New York stages for some time, and its return was due and welcome.

A great baritone can take possession of this opera. Mark Delavan, NYCO's Rigoletto, Ford and Ezio (in *Attila*), did not dominate the production, but he turned in a creditable, winning performance. The voice is oddly uneven; at times he produced warm, controlled singing, as in the last act aria "Pietà, rispetto, amore"; at other times the sound became hollow, even faltering. But he was always in character, a young, bluff, entrapped soldier.

As so often happens, Lady Macbeth overshadowed her husband. Lauren Flanigen – admired last year in *The Turn of the Screw* – revealed a strong, flexible, dramatic soprano, with effective coloratura and a genuine trill. Leon Major's production gave her little help: he wrecked her (and Verdi's) entrance, by placing her onstage before the arrival of Macbeth's letter; and she was not allowed to walk during the sleepwalking scene. Still, she conveyed the Lady's stature almost physically; and even in the clutter of Major's banquet scene, she focused attention, when repeating the notes of the *brindisi*, by varying tha expressive impact with each repetition.

In the smaller roles, Alfredo Portilla was an impassioned and nobls Macduff, extracting every drop of emotion from his sole aria; and as Malcolm, the second tenor Evan Bowers also sang with clear, ringing tone, so that the duet for two tenors, for all its brevity, was a stirring moment. Kenneth Cox, despite a grainy timbre, was a reliable Banquo.

Major's staging included several clichés – the refugees in Act 4 were carrying fibre suitcases – and the set by John Conklin offered a few more clichés of its own, including metal frames hanging from the flies.

For the most part the performers were crowded onto a steely platform studded with rivets, or obliged to climb metal stairs and catwalks, while black and white geometric shapes appeared on a screen behind the action. Blinding neon tubes added to the discomfort. The patient New York audience will no doubt be seeing a lot more of this sort of thing, as Conklin is now NYCO's director of production.

George Manahan, the company's new music director, conducted a generally well-paced performance, and the orchestra sounded good, especially the much-employed winds. Occasionally, Manahan might have underlined a bit more: in the final scene, for example, the contrast between the thumping martial "Macbet dov'è?" and the sweet soaring "Salgan mie grazie a te" had scant effect. For this, responsibility may also lie with the women's chorus, which needs some attention.

City Opera's new season looks promising. While *Macbeth* is the only truly new production, seven others – imported from various companies, including Kellogg's own Glimmerglass Opera – will be new to the State Theater, ranging from Handel's *Xerxes* and Gluck's *Iphigénie en Tauride* to the Britten-Auden *Paul Bunyan* and two operas written in 1996 by Tobias Picker and Tan Dun. Some of NYCO's most successful repertory productions, including *Traviata* and *Butterfly*, will complete what looks to be a rich operatic winter and spring.

William Weaver

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Moving Target: by Frédéric Flamand. Performed by Charleroi/Danses-Plan K; Sep 28, 30

EXHIBITION
Rijksmuseum
Tel: 31-20-673 2121
Whistler and Holland: paintings and etchings by James McNeill Whistler (1834-1903), who made several journeys to the Netherlands, most famously in 1899. Also included are works by Dutch contemporaries; to Nov 9

Van Gogh Museum
Tel: 31-20-570 5200
Second of four summer exhibitions of drawings by Van Gogh. This time it is the turn of the works produced when the artist lived in Nuenen, 1883-1885; to Oct 12

OPERA
Het Muziektheater
Tel: 31-20-551 8911
Das Rheingold: by Wagner. Netherlands Opera. New production, directed by Pierre Audi and conducted by Hartmut Haenchen; Sep 26

■ BERLIN

OPERA
Deutsche Oper
Tel: 49-30-34384-01
● Aida: by Verdi. Staged by Götz Friedrich, with sets and costumes by Pet Halmen; Sep 25
● Die Zauberflöte: by Mozart. Staged by Günter Krämer, with sets and costumes by Andreas Reinhardt; Sep 27

■ BRUSSELS

OPERA
La Monnaie Tel: 32-2-229 1211
Otello: by Verdi. New production conducted by Antonio Pappano in a staging by Willy Decker. Cast includes Susan Chilcott as Desdemona; Sep 24, 27

■ CHICAGO

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
Nabucco: by Verdi. New production staged by Elijah Moshinsky and conducted by Bruno Bartoletti. Cast includes Maria Guleghina and Samuel Ramey; Sep 26, 29

■ KASSEL

EXHIBITIONS
Various venues
Documenta: giant five-yearly survey of contemporary art which takes place all over Kassel. Starting at the old railway station, this tenth edition has been selected by French curator Catherine David; to Sep 28

■ LONDON

CONCERTS
Barbican Centre
Tel: 44-171-638 8891
● Anna Tomowa-Sintow: programme includes music by Strauss and Verdi. John Arnell conducts the Orchestra of the Royal Opera Housa; Sep 26
● London Symphony Orchestra: conducted by Sir Colin Davis in works by Beethoven and Walton. With violin soloist Midori; Sep 24

Royal Festival Hall
Tel: 44-171-928 8800
● BBC Symphony Orchestra: conducted by Andrew Davis in works by Webern, Berg and Schoenberg; with violin soloist Pierre Amoyal; Sep 26
● London Philharmonic Orchestra: conducted by Joseph Swensen in works by Mussorgsky, Shostakovich and Beethoven; Sep 24

DANCE
Labatt's Apollo, Hammersmith
Tel: 44-171-416 6082
The Royal Ballet: Romeo and Juliet. New season opens with Kenneth MacMillan's first full-length ballet, set to Prokofiev's score; Sep 24, 25, 26, 27, 29

Sadler's Wells at the Peacock Theatre Tel: 44-171-314 8800
Les Ballets Trockadero de Monte Carlo: return visit of the all-male company. Programme Two features Act Two from Giselle, The Dying Swan, Vivaldi Suite and Gaite Parisienne; to Sep 28

EXHIBITIONS
National Gallery
Tel: 44-171-839 3321
Seurat and The Bathers: places Seurat's great "Bathers at Asnières" in a context provided by his own earlier work, and studies and drawings for the painting, as well as works by predecessors who influenced him, and by his Impressionist contemporaries; to Sep 28

OPERA
Barbican Theatre
Tel: 44-171-638 8891
The Royal Opera: Platée, by Rameau. New production directed and choreographed by Mark Morris, conducted by Nicholas McGegan; Sep 24

■ LOS ANGELES

OPERA
L. A. Opera, Dorothy Chandler Pavilion Tel: 1-213-972 8001
La Bohéme: by Puccini. Revival of Herbert Ross's production, designed by Christopher Harlan and conducted by and Williamo Vendice; Sep 24

■ MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Budapest Philharmonic Orchestra: conducted by Friedrich Haider in a programme including works by Saint-Saëns and Bernstein. With soprano Edita Gruberova; Sep 26
● Munich Philharmonic Orchestra: conducted by Simone Young in works by Mozart and Schumann. With violin soloist Julia Fischer; Sep 24, 25

DANCE
Bayerische Staatsoper
Tel: 49-89-2185 1920
Bayerische Staatsballett: in a programme of works by Hans van Manen: Concertante, Grose Fuge and Black Cake; Sep 25

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
● Aida: by Verdi. Conducted by Roberto Abbado in a staging by David Pountney; Sep 28
● Le Nozze de Figaro: by Mozart. Conducted by Peter Schneider in a staging by Dieter Dorn. Cast includes Amanda Roocroft and Alison Hagley; Sep 24, 27

■ NEW YORK

EXHIBITIONS
OPERA
Metropolitan Opera, Lincoln Center Tel: 1-212-362 6000
Ariadne auf Naxos: by Strauss. Revival of a production staged by Elijah Moshinsky, with designs by Michael Yeargan; Sep 24, 27

New York State Theater
Tel: 1-212-870 5570
La Traviata: by Verdi. Revival of Renatta Scotto's New York City Opera production, conducted by Emmanuel Joel; Sep 25, 28

■ PARIS

CONCERTS
Théâtre des Champs Elysées
Tel: 33-1-49525050
Orchestre National de France: conducted by Charles Dutoit in works by Debussy, Schumann and Berlioz. With piano soloist Michel Dalberto; Sep 25

DANCE
Théâtre des Champs Elysées
Tel: 33-1-49525050
● Ballet National de Nancy et de Lorraine: Programme 1 – including works by Balanchine and Kylian; Sep 26, 29.
● Béjart Ballet Lausanne: Jérusalem, cité de la paix. Programms 2, with choreography by Béjart. With soloist Mikhail Baryshnikov; Sep 24

EXHIBITIONS
Musée National d'Art Moderne, Centre Georges Pompidou
Tel: 33-1-4478 1233
Fernand Leger: retrospectiva of the early modernist, who emerged from the Cubist revolution around 1910 to move towards abstraction; to Sep 29

OPERA
Opéra National de Paris, Opéra Bastille Tel: 33-1-44731300
● Le Nozze di Figaro: by Mozart. Conducted by James Conlon in a staging by Giorgio Strehler. Cast includes Anthony Michaels-Moore and Barbara Bonney; Sep 24, 27
● Turandot: by Puccini. New production by Francesca Zambello. Conducted by Georges Prêtre; Sep 25, 28

■ ROME

CONCERTS
Auditorio di Via della Conciliazione
Tel: 39-6-6880 1044
Orchestra and Choir of the Accademia Nazionale di Santa Cecilia: conducted by Daniele Gatti in Brahms' German Requiem; Sep 24

■ TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
Monday to Friday, Central European Time:

● **NBC/Super Channel**
07.00: *FT Business Morning*
10.00: *European Money Wheel*
Nonstop live coverage until 15.00 of European business and the financial markets.
17.30: *Financial Times Business Tonight*

● **CNBC**
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

Edward Mortimer

Prevention zone

International charities and mercenaries are stepping into the spotlight in shaping foreign policy

You read it here first. The idea floated in this column in January, that some wars might be prevented if foreign policy decisions were subjected to a "conflict impact assessment" has been taken up by Clare Short, international development secretary in the UK government.

She calls it a "social audit" – a snappier term than mine, and one that avoids abbreviation to CIA; and she wants her new department to work with business and others to ensure that it is applied to both government and private investment overseas.

And now Oxfam, the independent British relief and development agency, has picked it up in a book just published on reducing the "human cost of war".*

The idea is not really new. Enlightened multinationals have for years been including a "social impact assessment" in big investment decisions. If, for example, a new oil well (in Colombia, say, or Ogoniland) is likely to pollute the environment or disrupt the local economy, the chances are that this will cause trouble. The investor will suffer bad publicity, or worse. If this can be anticipated it can, in theory, be avoided.

Now Ms Short wants to involve her new government department in the process, to ensure that both state and private investment overseas be "socially audited".

Oxfam suggest that such audits should be included in the annual reports of foreign, trade, finance, defence and development ministries to parliaments, and that they should measure performance against, among other things, the Geneva conventions and those dealing with genocide and the treatment of refugees.

This approach, says Oxfam, should be applied by all governments, by the European Union, the Organisation of African Unity, the United Nations, and by non-governmental organisations (NGOs), such as itself.

I am glad it included that point. As an article in the current issue of The World Today, the monthly published by the Royal Institute of International Affairs, points out, NGOs have become "an increasingly important aspect of foreign affairs and a priority instrument in the pursuit of foreign policy", raising many questions about the accountability of these institutions.

At least since the Ethiopian famine of 1984-85, but especially since the end of the cold war, governments have come to see NGOs as part of the solution to "complex emergencies" (UN-speak for man-made disasters). Channelling funds through NGOs enables governments to avoid direct involvement in local conflicts.

But by the same token it often leaves the NGOs to take decisions with grave political or even military implications, which involve taking sides in a local struggle. The decision in 1994 to provide food and water to refugee camps on the Rwanda-Zaire border, controlled by the perpetrators of the Rwandan genocide, is a clear example.

> Mercenaries give priority to securing specific parts of the country which contain economic assets, such as diamond mines or oil wells

NGOs cannot avoid taking such decisions, but have no clear mandate for them. Nor is it obvious to whom they are accountable. Indeed, says Hugo Slim, author of the World Today article, "a backlash against them has already begun", with two lines of criticism especially popular. One sees them as "like their 19th century missionary predecessors ... the advance guard of the effective recolonisation of Africa and other parts of the south". The other, known as "Duffieldism" after its best-known exponent, Mark Duffield (himself a former aid worker turned academic), is more or less the opposite: NGOs enable the rich north to consign large areas of the south "to the margins of the new world order", by keeping their miserable inhabitants at arm's length.

Another article in the same issue of The World Today suggests, perhaps unwittingly, a way in which both these criticisms could be true. It deals with a particular type of NGO: private security firms, or mercenaries as they used to be called.

The author, David Shearer of the International Institute of Strategic Studies, describes the role of Executive Outcomes (EO), a South African-based company which is the best known of these firms, in helping end the rebellion in Sierra Leone last year – only to see the Sierra Leonean army, whose own position had been undermined in the process, overthrow the government this spring after EO had been paid off. On the other side of the world, in Papua New Guinea, the military turned on its political masters after they brought in a private firm, Sandline International, to settle the civil war on Bougainville.

Mercenaries usually give priority to securing specific parts of the country which contain economic assets (such as diamond mines or oil wells). Often their remuneration comes directly from those assets, the state being otherwise virtually bankrupt. Indeed there are close connections between the security firms and those that exploit the assets.

Both EO and Sandline, for instance, use the services of Plaza 107, a London-based resources company which also "provides support for a swathe of offshore-registered, mainly mineral operations". Mr Shearer quotes a director of one of the latter who likens the relationship with EO to that between two hands: "One hand is involved in mineral exploitation, the other with security; but both work together."

One thus gets a picture of western companies first winning mineral concessions from African governments, or sometimes from rebel movements that control the relevant area, and then arranging for their security associates to be paid for securing those concessions out of the share of revenue earmarked for the African state.

The state itself thus shrivels to an area of economic interest to western investors and a flimsy legal apparatus legitimising their activities. The rest of the country is left in anarchy, with philanthropic NGOs providing just enough relief to stop its population becoming a serious threat or embarrassment to western governments.

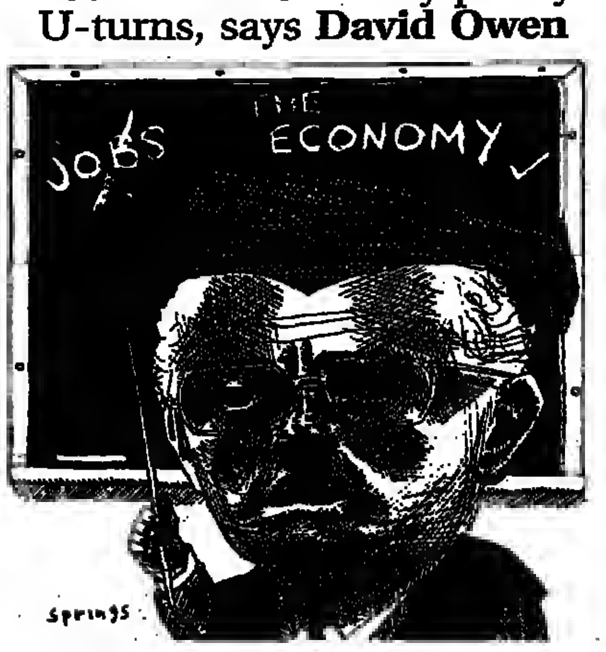
A caricature based on one or two extreme cases? Perhaps, but still uncomfortably close to the pattern of European involvement in Africa at the dawn of the imperial age.

A Safer Future, by Edmund Cairns, Oxfam Publications, £6.95

E-mail: Edward.Mortimer@FT.com

Top of the class

Lionel Jospin's popularity has not been affected by policy U-turns, says David Owen



Lionel Jospin certainly seems to be doing something right.

Nearly four months after his surprise general election victory, the French prime minister's opinion poll ratings are going from strength to strength. The latest survey, published last week in the weekly news magazine *Le Point*, gave Mr Jospin a 58 per cent approval rating – up 4 percentage points in a month and an impressive 14 points since June.

This is, frankly, curious. The broad policy goals of the new government – lower unemployment and a lower budget deficit to ensure France's qualification for Europe's economic and monetary union – remain unchanged from those of the preceding centre-right administration of Alain Juppé, which became so unpopular towards the end of its spell in office.

Mr Jospin's Socialist-led coalition has, like Mr Juppé's government, sought to postpone the day of reconciling those policies. It has, in effect, postponed by a year to 1998 the target date for achieving the Maastrichtian holy grail – a budget deficit equivalent to at most 3 per cent of gross domestic product. But Dominique Strauss-Kahn, finance and industry minister, has acknowledged he does not expect unemployment to come down until the end of next year.

What is more, notwithstanding the schoolmasterly Mr Jospin's reputation for integrity, a number of Socialist manifesto pledges have turned out to be, to put it politely, misleading. "*Stopper les privatisations*" is so plain that even the most insular Anglo-Saxon requires no translation. Yet here we are, less than a month away from the first day's trading for France Telecom shares on the Paris and (gasp) New York stock exchanges. By then, there is every likelihood the government will have confirmed that the state's interest in Thomson-CSF, that near-sacred national defence electronics asset, is to drop to below 50 per cent.

So why has Mr Jospin not suffered the public-opinion reversal that overwhelmed Mr Juppé? The first explanation advanced by many commentators, especially those on the right, is luck. Mr Jospin, they argue, has had the good fortune to arrive in power just as the economy was picking up.

Not that France is experiencing a tiger-like spurt: growth this year is expected to total only 2.2 per cent, against 1.5 per cent in 1996. But the export-led boost has enabled Mr Strauss-Kahn to maintain with reasonable credibility that the economy will be growing at an annual rate of about 3 per cent by the end of this year.

In the meantime, enough of an improvement was detected this summer to lift the mood of the hitherto glum electorate as they headed for the beach. This faster growth should also limit the number of unpopular tax increases deemed necessary in today's budget for the government to hit its 1998 deficit target. Officials are indicating the tax take will rise no faster than "national wealth".

More sympathetic observers suggest there is more to Mr Jospin's popularity than luck. The prime minister, they say, with his considerable experience of government in past Socialist administrations, has entered the prime minister's palace with purpose and confidence, as if to the Matignon born.

Certainly, there are signs that a prudent, unhurried Jospin method is emerging. On dossiers ranging from the state of the national finances to France Telecom and the optimum exploitation of New Caledonia's nickel resources, he has had the humility and political nous to ask for a detailed expert assessment before deciding how to proceed.

Mr Jospin's personal reputation for thoroughness and decency is also working in his favour. There is a sense that people genuinely believe that honest Lionel is trying his hardest to make life easier. This is in striking contrast with the arrogance and aloof intellectualism that Mr Juppé's administration sometimes conveyed.

Also in contrast to Mr Juppé, the government is, in most people's minds, taking pains to implement what is regarded as its highest-profile campaign promises. It has already outlined plans for creating 350,000 public-sector jobs and should today confirm a budget increase for Martine Aubry's employment and solidarity department (whether this will benefit France in the long term, is, of course, a different question).

The government created a considerable stir ahead of a European Union summit in Amsterdam by announcing it needed more time to consider the terms of the stability pact on Emu.

In a number of other policy areas, Mr Jospin appears to be boxing clever by implementing policies that are broadly supported less by the Socialists' Communist coalition partners than the centre-right opposition and, by extension, a majority of the population at large.

This is true of the tough stance he has adopted on the so-called *cumul de mandats*, which allows French politicians to occupy jobs at different levels of government at the same time. It is true of the government's drive to shift more of the burden of financing France's generous welfare system away from workers, in a measure expected to be announced today. And it is true in spades of privatisation, partial or otherwise.

So far, so good then for the French prime minister. But it is in the nature of honeymoons, political and otherwise, that they come to an end. Once Mr Jospin's does, it is likely to become even clearer that his room for manoeuvre – though increased slightly by the economic outlook – remains narrow.

This will, if anything, be underlined by today's budget, which is expected to commit the government to restricting next year's increase in public spending to 1.4 per cent or so, about in line with inflation.

This is probably the least that is required for France to hit the 3 per cent budget deficit target, particularly if ministerial assumptions about 1998 growth prove optimistic, as some economists expect. But it implies pretty tough pay restraint by France's public-sector workforce.

Ministers will apparently have to face up to this at a time when trade unions, some of them increasingly uneasy about the government's policy orientations, are expecting Mr Jospin to deliver on another pledge – to reduce the working week from 39 to 35 hours without a corresponding loss of pay. Such issues are likely to come to the fore in less than a month – at a high-profile conference involving the government, unions and employers scheduled for October 10.

Put bluntly, the problem which did for Mr Juppé – how to reconcile workforce demands, including a sustained cut in unemployment, with the fiscal stringency demanded by Maastricht – has not gone away.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Uphill struggle on corruption after decades of neglect

From Mr Ralph I. Sato.

Sir, Martin Wolf writes on the growing interest in stopping bribery of public officials and politicians by international business interests ("Corruption in the spotlight", September 16). But the difficulties of agreement are immense given the variety of forms that bribery appears to take. Moreover, the International Monetary Fund and World Bank, which have spearheaded the crusade against corruption, have themselves had notorious records for looking the other way while some of the most corrupt rulers in modern times absconded with loans proffered them by these institutions.

Well-known examples such as the rulers of Zaire, the Philippines and Indonesia come to mind. Over the past decade, Mexico and Russia, which rank near the bottom of the corruption league tables shown in Martin Wolf's article, have received the largest loans handed out by these institutions. Part of the problem is that the institutions are often under duress to make funds available under emergency conditions such as the Mexican peso crisis of 1995 or the early reform administration in Russia. The emphasis on large loan volumes and inadequate emphasis on audits are also to blame.

The World Bank president, James D. Wolfensohn, is certainly to be commended for recognising the problems, but he faces immense difficulties with institutional inertia and a lack of experience after decades of neglect of the corruption issue.

Ralph I. Sato,
1191 Brightside Court,
San Jose,
CA 95127-4074, US

Arguments have been confused

From Mr Richard Tait.

Sir, I agree with Christopher Dunkley ("Whose news is it anyway?", September 20-21) that television reporters must remain honest and objective in their journalism. But his article has confused the arguments about the journalism of attachment with a libel action which ITN has taken to defend its reputation and that of two of its journalists.

ITN does not practise "the journalism of attachment" – it is committed to accurate and impartial reporting. Its coverage of the war in Bosnia neither demonised nor sanctified any of the participants, but sought, in often highly dangerous circumstances, to be scrupulously fair to all parties in a bitter civil war.

ITN does not believe that the journalism of attachment has any role in impartial news reporting – but we do believe in standing by our journalism and our staff when we consider they have been libelled.

Richard Tait,
editor-in-chief,
ITN,
200 Gray's Inn Road,
London WC1X 8XZ,
UK

Right song?

From Mr Mike Bird.

Sir, Perhaps Peter Martin is right ("Immaterial world", September 18) and Madonna's "Material Girl" is a blueprint for business success.

But is he listening to the right song? As Richard Branson would surely agree, "Like a Virgin" is better.

Mike Bird,
Kepner-Tregoe,
Bentley House,
13-15 Victoria Street,
Windsor,
Berks SL4 1HB, UK

Startling view of agency

From Mr Philip James.

Sir, It is inappropriate for me to become involved in the debate on my report on the Food Standards Agency but your leader, "Safety first" (September 11), which suggests a narrower remit for the agency than that which I proposed would save lives is rather startling to the uninformed. The reason for suggesting a broader remit, for example to include nutrition, was precisely because current policies which affect nutrition can determine thousands of premature deaths, not two!

It is, of course, important to reduce the many illnesses as well as deaths caused by food poisonings, but new arrangements to restore public confidence need to be based on a sophisticated understanding of real risks and their management as distinct from the rather limited perspectives of old.

Philip James,
Rowett Research Institute,
Greenburn Road,
Bucksburn,
Aberdeen AB21 9SB, UK

Wealth creation victim of hypocrisy and prejudice

From Sir Stanley Kalms.

Sir, Profits up 41 per cent. Earnings per share up 30 per cent. Dividend plus 20 per cent – and prospects good. Enough perhaps for even a hard-bitten and long-serving chairman to expect from his shareholders kind words and agreement with a modest collection of AGM proposals. Well we did, of course, but the dissidents are a growing band.

One institution, having misread Greenbury and its own accounts, voted against our much-admired chief executive having a two-year contract and failed to note its own similar executive having the same terms.

We were criticised by an *apparatchik* of the London Borough of Richmond Upon Thames who signed his letter, chief executive and director of finance.

And one leading institution objected to our senior executive bonus scheme which triggers at a 5 per cent earnings per share growth, but is only meaningful as the increase moves up the scale. It had read an analyst's report which had suggested we might achieve 38 per cent EPS growth and was insisting that that should be the starting point for this year's bonus.

Ignorance at this level of the wealth-creating market economy process is disturbing. Sensible argument is subsumed by a form of hypocrisy which attempts to disguise prejudice under the guise of seeking higher standards of corporate governance.

Business as usual is slow in response.

Stanley Kalms,
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COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
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Wednesday September 24 1997

The IMF and the markets

The press conferences of the international financial institutions in Hong Kong have been many and weighty. But the biggest headlines have gone to George Soros, the hedge fund manager who gave Malaysia's Mahathir Mohamad a wigging.

In that there is a crude symbolism. Mr Soros personifies the process whereby private capital has usurped many of the functions of the International Monetary Fund and the World Bank, ranging from balance of payments and long term investment financing to oversight of national economic policies. The irony is that Mr Soros is more critical of the disruptive capacity of markets than many of those at the IMF and the Bank who pick up the pieces.

The related currency and banking crises in Asia demonstrate once again that the liquidity and market depth that result from global capital market integration come at a cost. The IMF records that nearly three-quarters of its members have had significant trouble in their banking systems over the past 15 years. In 14 of these cases the cost of resolving the crises exceeded 10 per cent of gross national product.

Given the primary and potentially destabilising role of the market in directing capital flows and enforcing balance of payments adjustment, those meeting in Hong Kong have faced pressing questions about the remaining role for policy in correcting market failures and addressing instability.

All agree on the need for robust financial systems to make more efficient use of large and potentially volatile capital flows. It is also clear that delay in addressing fiscal, financial and payments imbalances is hugely costly. The international institutions are well equipped to foster transparency and disclosure to ensure that Mr Soros and his ilk impose more timely pressure for adjustment.

More difficult are the issues of liberalisation. It is high time governments ceased to use banking systems as instruments of industrial policy regardless of profitability. Yet giving access to foreign competition when profits are low or non-existent may prove to be more of a purge than a cure. Similarly, capital account liberalisation can be a recipe for exacerbating stock market and property bubbles. And the role of the IMF in crisis management, where there is an obvious risk of moral hazard, remains controversial.

In the long run, a refusal to embrace liberalisation will, in an integrated global market, lead to distortions and a flight of financial business offshore. But there is room, in the short run, for flexibility in timing moves to lift controls. And before dismissing Hong Kong as a mere jamboree, note that the network of contacts formed there is a vital component of effective crisis management.

Smoke haze

The $369bn deal which US state governments have agreed with the tobacco industry has created a maze of contradictions. Congress and the administration need to find a way out.

A report by the Federal Trade Commission on Monday set out a series of unintended consequences of the attempt to reach an overall settlement of law suits by the states. The most important is that the five companies which control 99 per cent of the market will strengthen their oligopoly because of the common need to raise prices to pay for the settlement. Worse still, the agreement (yet to be ratified by Congress) would allow the companies to create an overt cartel.

Even without a cartel, tobacco company shareholders would do well out of the deal. The authorities want higher prices to curb consumption. But a 1 per cent price rise cuts demand initially by only about 0.4 per cent, so the companies will make more profits.

Then, the more consumption is cut, the less the companies will have to pay in penalties. The FTC suggests that the industry could make extra profits of perhaps $123bn over the 25 years of the agreement, even if it were not exempted from anti-trust regulations.

By cutting penalties, a fall in consumption will reduce the financial benefit to the public sector to perhaps as little as $200bn, less than 60 per cent of what the states think they have agreed.

The prospect that law suits against the tobacco companies could have the effect of entrenching their market power and enriching shareholders is more than an irony: it is a recipe for years of further dispute.

It is not too late for Congress and the administration to consider the fundamental objections to this deal and think about alternatives. It represents a sort of privatised tax on smokers. But it lacks the transparency and predictability of a proper tax; it relies on an absurdly complex and expensive mechanism; and, as the FTC points out, it will have highly undesirable side effects.

It would be much better, therefore, to attempt a new deal. Abandoning litigation might be exchanged for curbs on advertising which would be difficult to enforce under present laws. Then the states should raise the cash they need for treating smokers' diseases from higher tobacco taxes. An extra $1.50 on a pack of 20 would raise about as much as from this deal.

Smoking would still be cheaper than in many European countries. And the tobacco companies' efforts to escape the rigours of competition law would be wisely frustrated.

BA-American

Consumers can taks some comfort from the thought that the proposed alliance between British Airways and American Airlines has attracted the attention of Karel Van Miert, the European Union's combative competition commissioner.

Tha BA-American alliance raises serious consumer concerns, as do the other international airline partnerships already operating. Before deciding to join up with BA, Robert Crandall, American's chairman, described such partnerships as a fraud on the consumer. Passengers who book a flight with one member of an alliance, only to find themselves travelling with another, might agree.

Mr Van Misrt's decision to review this alliance and several others launched in recent years might be seen as even more justifisd because no one else appears to be looking after consumers' interests adequately.

The US authorities have granted previous alliances anti-trust immunity, which allows carriers to co-operate in selling tickets and setting prices in ways which would otherwise infringe laws intended to protect consumers. In return, the European governments concerned have agreed to conclude "open skies" agreements with the US.

Nevertheless, Mr Van Miert's tough line on BA and American – he is demanding they give up 353 weekly slots at Heathrow airport – raises difficulties.

The first is that his legal right to vet aviation alliances rests on shaky foundations. The Treaty of Rome is unclear on whether national governments or tha Commission should hava the final say.

A second problem is that the Commission did nothing when previous alliances, aucb as those between KLM and Northwest and betwsen Lufthansa and United, were launched.

BA's supporters say thet the Commission's attack on it and American is motivated hy a desire to protect its competitors. It is a suspicion Brussels needs to dispel by demonstrating at the earliest opportunity that it intends to be as tough on the other alliances as it says it will be on BA-American.

An even better idea, however, would be for Washington and Brussels to abolish the limits on foreign ownership of airlines which maka these alliances necessary. Provided airlines could demonstrate to competition authorities on both sides of the Atlantic that passengers would not be disadvantaged, they could merge or take one another over, as happens in almost every other industry. Consumers could then book flights on an airline confident that they would not end up flying with its perhaps less desirable alliance partner.

Bank on consolidation

The momentum towards the creation of a few national banking networks in the US seems unstoppable, writes John Authers

Consolidation in US banking has become so frenetic – the number of banks has fallen by a third in a decade – that bankers are paying unprecedented, and some say unjustified, sums to take over their peers. Talking about a recent deal in which his First Union bank bought Signet Banking for $3.5bn, Ed Crutchfield, First Union's chief executive officer, said jokingly that he had arrived at the price as follows: "I just kept stacking billion dollar bills on the table until Signet said yes."

So what is driving this wave of bank consolidation? And do prices as silly as Mr Crutchfield's comment make them sound?

To understand the wave of consolidation, one must start with the curious structure of the US banking business. Since the Depression, regulations have sought to prevent a run on banks by splitting the US into separate markets and limiting competition between them. A change to regulations has made way for the creation of would-be national banking networks.

According to the Federal Deposit Insurance Corporation, the national bank regulator, the number of banks has dropped from 14,210 10 years ago – a number that had remained broadly unchanged for several decades – to 9,530 by the beginning of 1997. This consolidation has mostly taken the form of mergers: there were 554 last year, and 609 the year before that.

Hallowed names such as Manufacturers Hanover, Chemical Banking and Securities Pacific have disappeared. New giants have been created. Foremost among them is NationsBank, the former North Carolina National Bank, responsible for three of the top 10 bank acquisitions.

The biggest of them came last month when NationsBank agreed to buy Barnett Banks of Florida for $15.5bn. This smashed the previous record and brought the year's industry-wide spending on mergers to $54.5bn. The deal turned NationsBank into the country's third largest, and advanced its aim of building the first truly national banking franchise.

It will not have the field to itself. Several competitors are in the race, notably NationsBank's neighbour, First Union, which is now the sixth-largest bank with a franchise stretching along the east coast from Florida to New England. The skyline of the small southern city in which both predators are based, Charlotte, North Carolina, is sprouting skyscrapers like a mini Manhattan.

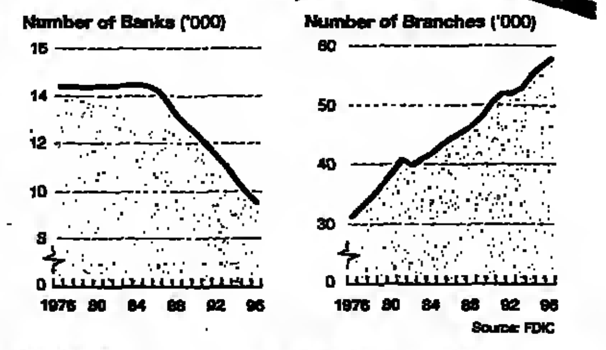
Other multi-state franchises include BancOne in Columbus, Ohio, which bought the credit card specialist bank First USA earlier this year for $7.33bn, and US Bancorp in Minneapolis, formed from the $8.7bn merger of First Bank Systems and US Bancorp. It now has operations in 17 states across the north-west from California to Illinois.

The emergence of putative national banks has not been accompanied by cuts in service. According to the FDIC, the fall in the number of banks over the past 10 years has been accompanied by a rise in the number of branches from 44,392 to 57,788 – although many are lightly staffed branches in supermarkets.

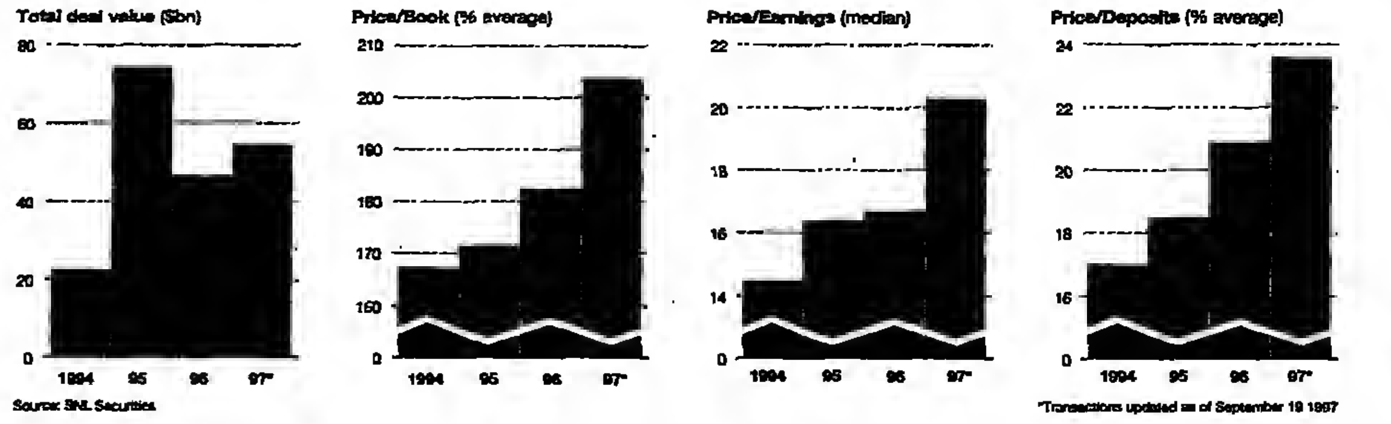
The deals get bigger

The top 10 deals in US banking

		Announce date	Announced deal value ($bn)
NationsBank Corp	Barnett Banks Inc	Aug 1997	15.52
Wells Fargo and Company	First Interstate Bancorp	Jan 1996	12.31
Chemical Banking Corp	Chase Manhattan Corp	Aug 1995	11.36
NationsBank Corp	Boatmen's Bancshares Inc	Aug 1996	9.75
First Bank Systems Inc.	US Bancorp	Mar 1997	9.09
Washington Mutual Inc	Great Western Financial Corp	Mar 1997	7.00
First Union Corp	First Fidelity Bancorporation	Jun 1995	5.56
First Chicago Corp	NBD Bancorp Inc	Jul 1995	5.11
BankAmerica Corp	Security Pacific Corp	Aug 1991	4.67
NCNB Corporation	C&S/Sovran Corp	Jul 1991	4.46



Source: FDIC



Source: SNL Securities
*Transactions updated as of September 18 1997

One reason for the frenzy of consolidation is a search for cost-cutting through the elimination of overlaps. Bank consolidation has produced a downsizing as savage as in any US industry. Wells Fargo's purchase of First Interstate led to job losses equivalent to 23.5 per cent of the combined workforce. NationsBank, which has almost as big an operation in Florida as Barnett, is also expecting to make heavy cuts, removing 45 per cent of Barnett's annual expenses by the end of next year.

These cuts have not always been without cost. Wells Fargo's share price has fallen 30 per cent this year after news that many account holders had left the merged bank. Wells Fargo ran into serious problems merging the banks' systems, leading to the loss of many deposits and creating an operating loss of $180m in the second quarter of this year. Such problems have raised the big question: are banks really increasing value for shareholders and customers? Or are they just empire-building?

The case for consolidation begins with the state of banks' own finances. Thanks partly to the health of the US economy, the industry is generating higher returns on assets and on shareholders' equity than five years ago, while the proportion it spends on expenses has dropped. Since 1992, the average return on assets has risen from 1 per cent to 1.29 per cent, while the return on shareholders' equity has grown from 13.6 per cent to 15.9 per cent, according to Salomon Brothers' annual survey of 50 large US banks.

Such gains are encouraging banks to continue their spending and growth sprees. Banks are also becoming more profitable: high share prices have pushed up the value of bank stocks, strengthening the balance sheets and making acquisitions easier.

Those seeking to explain the consolidation in terms of more fundamental forces make three points, about regulation, economies of scale and technology.

First, regulatory reforms have set the pace for consolidation. The steady liberalisation of the last decade has merely allowed the industry to take on a more logical shape.

Joseph Duwan, of the New York firm of Keefe, Bruyette and Woods, points out that each phase of mergers has followed regulatory change. Regional and "super-regional" banks were created in the late 1980s after the relaxation of rules on interstate acquisitions.

More recently, Congress has fixed national limits for consolidation, opening these arrangements to all states. This fixed ceilings on market share, with no bank allowed to have more than 10 per cent of deposits nationally, or 30 per cent within any one state. This reform was followed by big inter-regional deals, such as last year's merger of NationsBank with Boatmen's Bancshares of St Louis.

Second, Michael Mayo, banking analyst with Credit Suisse First Boston in New York, suggests consolidation can be seen as part of a broader change. Banks now operate in a world where they have lost market share to nimbler, less regulated non-bank rivals, such as mutual fund companies, specialist credit card issuers, and even software companies such as Microsoft, which now offer transactions on-line.

The emphasis is now on new distribution channels, such as ATMs, small banking centres and on-line banking. All of these create greater economies of scale. Once a bank has built a new technical infrastructure, it becomes easier to integrate new business, while cutting the target's overheads.

As Mr Hugh McColl, chief executive of NationsBank, puts it: "Our philosophy is to build on existing infrastructure – networks, systems and data centres. We want to have a dominant marketing position in the growing markets of the US." Once the infrastructure is built, by Mr McColl's argument, the challenge is to buy customers and build brand recognition.

Mr Mayo adds that scale can be advantageous in itself. The US population is becoming more mobile so the ability to offer a branch network in numerous states improves a bank's chances of retaining clients.

The third argument for consolidation comes from the cost of technology. Faced with the need to make new investment to keep up with competitors, many bank directors have decided it is simpler to sell. Mr Duwan suggests that the "year 2000" problem – the so-called millennium bomb – may force more sales.

The US Bancorp acquisition showed these trends at work. According to Mr Mayo: "First Bank was just about the most efficient bank of its size, and it bought a less efficient bank in a new market. Simply by placing First Bank systems and networks into US Bancorp, the new company will have significant cost savings even without overlap."

The conclusion seems to be that consolidation is indeed justified. But that still leaves the question: at what price?

Banking deals have become more expensive in recent months. In buying Barnett Banks, NationsBank set a record not only for the sum involved but also for the premium it was prepared to pay. At almost four times Barnett's book value – the total value of its assets – NationsBank paid double the average multiple which buyers were prepared to pay for US banks only last year. Mr McColl judged this an appropriate price for a third of the lucrative Florida market. First Union paid 3.5 times book value for Signet Banking. Multiples have been rising for several years. In 1990, according to SNL Securities or Virginia, the average bank sold for only 1.47 times book value.

Such escalation is not necessarily evidence of over-heating. The forces pushing consolidation might justify a gradual rise in price. The recent surge may be fuelled by the dwindling numbers of readily acquirable targets as competition between the new giants hots up.

Moreover, once a bank comes into play, action by predators is swift. Again, NationsBank-Barnett seems to have set a new standard. Mr McColl was first contacted about a possible deal on the Tuesday. The banks' boards agreed it by Friday lunchtime that week.

According to Mr Mayo: "If valuations remain at the current levels it's likely you will continue to see purchase prices of three to four times book [value]. If stock prices decline, so probably will the purchase prices."

Whatever the justification for current prices, and however powerful the forces driving consolidation, all seem agreed that the momentum towards the creation of three or four truly national banks is unstoppable. As Mr Duwan puts it: "I do think the Barnett deal has been a defining moment. Now many boards are deciding whsther it is time to cash in their chips."

· O B S E R V E R ·

Batting for Bertelsmann

■ German media giant Bertelsmann is certainly talking up the importance of its planned digital pay-television alliance with Deutsche Telekom and Kirch. A similar hook-up was blocked by the European Commission in 1994, and Bertelsmann says a repeat wouldn't just be a bit of a blow: it would scupper Germany's chances of getting a serious player on the global media scene in the near future.

The parties have been squabbling over the new proposal for more than a year and they're now preparing to persuade European competition supremo Karel van Miert of the merits of a deal which brings together Germany's two biggest commercial broadcasting groups and the owner of most of its cable television network.

One ace in their hand is that the MEP for Gütersloh, the prim little Westphalian town where Bertelsmann has its HQ, is the influential Christian Democrat Elmar Brok. Even better, the former radio journalist is also on Bertelsmann's payroll as "European adviser", and few people could be in a better position to open doors to decision-makers.

Brok was already on Bertelsmann's books when the whole edifice collapsed in 1994. But maybe this time, everyone will have their ducks in a row.

Soft landing

■ For a man who hates flying, John McFarlane certainly clocked up the air miles in his last job at Standard Chartered – more than 200,000 in his last year overseeing the bank's scattered holdings in Africa, tha Middle East, South Asia, the UK and the Americas.

For the last seven months, he's been keeping closer to the ground with a non-executive job at a radio station in London. But now he's taking off again to become chief executive of Australia & New Zealand Banking Group, a post which seems certain to guarantee him executive lounge privileges at the airport.

Like Rana Talwar, who replaced him at Standard Chartered, McFarlane is a former Citibanker: he spent 18 years with the US bank which has proved a breeding ground for many of the world's top banking executives.

McFarlane will take over at ANZ on October 1 when Don Mercer – born, like McFarlane, in Scotland – steps down after five years at the helm, following a bit of a shakeout in the bank's top management. It's a long haul on the plane, but the set-up might make McFarlane feel at home. Since its takeover of Grindlays in the 1980s, ANZ bears some passing resemblance to Standard Chartered.

McFarlane is the second foreigner to fly in from a foreign bank to head np one of Australia's Big Four: Westpac's top man Bob Joss is a Californian who used to run Wells Fargo.

Stained shirts

■ An embarrassed Générale de Banque, Belgium's premier bank, is "reviewing" its sponsorship of what used to be Belgium's premier football club, Anderlecht.

Générale is the banking arm of Société Générale de Belgique, the venerable 150-year-old holding company that was the foundation for much of Belgian industry. "Les Mauves", on the other hand, have just been banned from European competition for a year after being found guilty of bribing a referee in 1984.

Générale says that, before deciding whether to continue its 15-year sponsorship of the club, it's seeking guarantees from Anderlecht and its directors that the club will in future behave in a way that's "deontologically acceptable". The dictionary defines deontology as "the science of duty". Observer wonders how many footballers, club directors or even bankers know what deontologically acceptable means.

Red cred

■ Frequent flyer programmes have yet to reach Vietnam, but its national airline has come up with a different wheeze to fill those seats. Vietnam Airlines says it will cut prices for Vietnamese living overseas – if they "have contributed to Vietnam's revolution" or are "activists engaged in patriotic movements" in overseas Vietnamese communities.

It's not clear what aspiring travellers have to do to demonstrate their revolutionary credentials, but there are unlikely to be many candidates for the scheme. Most of ths 2m Vietnamese living overseas fled after the communist takeover of South Vietnam in 1975, and haven't spent much time reading Marx and waving the red flag in their adopted countries.

Clean-up

■ There's no more corruption in Thailand. Government officials and politicians reaping personal financial gain from their lofty positions are now described as "ethically challenged".

The Financial Times

100 years ago

Wall Street Manipulators
Under the circumstances of the past few months there was no difficulty in working up a boom on Wall Street. The professional boomers, who play on the market as on a fiddle, and who know all its weak points like the alphabet, could have manufactured a rise out of much less promising material than was available this year. Wa admit all that, and up to s certain point had nothing to say against the rise. Even Americans cannot be always in the mud. Let them have some fresh air now and then. But no boom ever stops short at the level of actual justification, least of all in Wall Street. The improved conditions are soon over-discounted, and then blind sentiment comes in. That is the chance for the professional manipulator. Anybody can run a boom in its early stages. For that matter, it runs itself, and is best left to its own course. But when it reaches the upper levels, and bope has to be called in to the help of reality, or, as the uncharitable might say, when fact has to be eked out with fiction, then the scientific manipulator gets in with his fine work. He has been putting it very liberally this week.

FINANCIAL TIMES
Wednesday September 24 1997

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Smog chokes Sarawak as fires rage in jungle

By James Kynge in Kuala Lumpur

Life ground to a virtual halt for many people in Malaysian Borneo yesterday as smoke from thousands of jungle fires in Indonesia blanketed towns and cities, reducing visibility in some places to arm's length.

"Everything is white with smoke," said a receptionist at the Holiday Inn in Kuching, the main city in the vast state of Sarawak, where about 2m people live. Her voice sounded muffled over the telephone. "We are all wearing (surgical) masks," she said.

Sarawak, where a state of emergency has been in force since Friday, has been worst hit by the "haze" which has also enveloped peninsular Malaysia for more than a week. But while the air pollutant index for Kuala Lumpur, the capital, has rarely risen above the "very unhealthy" level of 300 points, Kuching's reading yesterday was 839 points – well beyond the "hazardous" 500-point level which marks the end of the scale.

A day's exposure to pollution levels of more than 300 points may be equivalent to smoking 20 cigarettes, doctors in Malaysia said. Children and people with respiratory disorders are particularly vulnerable, and more than 5,000 people in Sarawak have sought treatment for smoke-induced illnesses, local newspapers said.

Mahathir Mohamad, the Malaysian prime minister, retreated from earlier suggestions by officials for an evacuation of Sarawak. "It is still one of the options but it is something we have to do as a last resort because there are about 1m people to evacuate," he said.

All flights to Kuching and main towns in the state were cancelled. Schools were closed, vehicles crawled along with headlights on, and many factories were closed or operated at vastly reduced capacity.

Brunei, the oil-rich sultanate bordering Sarawak, was also hit by flight cancellations.

There is little detailed information on the cause of the fires which are blazing over vast areas of Indonesian Kalimantan and the island of Sumatra. Forest clearing by plantation owners is one cause; another is clearing by farmers in isolated areas for their crops.

Dr Mahathir has said the haze could last for months. In the meantime, factories around Kuala Lumpur which emit smoke have been told to stop work, and motorists have been told to share cars. And the Buddhist faithful are under instructions to be sparing with their joss sticks.

Map of affected region, Page 4

Serbian Socialists in coalition call after poll setback

By Guy Dinmore in Belgrade

Serbia's ruling Socialists yesterday conceded they had lost their majority in parliament following Sunday's elections, and called on the opposition to join a government of national unity.

The setback came in the wake of a rise in support for the ultra-nationalist Radical party, which yesterday repeated its desire to redraw Serbia's borders and annex most of Croatia.

Giving preliminary results for 238 of the assembly's 250 seats, the Republican Electoral Commission said the Socialist coalition led by Yugoslav president Slobodan Milosevic had won 98, the Radical party 80 and the pro-monarchy Serbian Renewal Movement 45 seats. Seven smaller opposition parties won a total of 15 seats.

"For Serbia the best way forward is the concept of a government of national unity," said Ivica Dacic, the Socialist party spokesman.

The Serbian Renewal Movement has emerged as the potential kingmaker. Its leader, Vuk Draskovic, rode a wave of mass anti-government protests last winter, but could be persuaded to join forces with his Socialist foes if promised senior cabinet positions.

Ivan Kovacevic, the party's spokesman, said an alliance was possible if Mr Milosevic committed himself to serious economic and political reforms, including large-scale privatisation.

Mr Kovacevic ruled out a coalition with the Radical party of Vojislav Seselj, describing its programme as "fascist".

A triumphant Mr Seselj, whose party has more than doubled its number of seats, said he was willing to join either of the two other main parties. But he accepted that a Milosevic-Draskovic coalition was the most likely outcome.

Mr Seselj, a paramilitary leader during the wars in former Yugoslavia, showed no signs of giving up his aim of a greater Serbia. "The western borders of Serbia follow the line of Karlobag, Ogulin, Karlovac and Virovitica [towns in Croatia] and the Serbian Radical party will one day definitely reach these borders. We will never give this up," he told a news conference.

Sunday's elections have seriously undermined Mr Milosevic. He was barred by the Serbian constitution from running for a third term as Serbian president, and so switched his position to the Yugoslav presidency in July. Yugoslavia consists of Serbia and Montenegro.

Serb attack, Page 3

UK anger at Saudi court

Continued from Page 1

going to change our system or our customs to appeal to the media or bleeding-heart liberals in the West."

Lawyers for the defendants, Deborah Parry and Lucille McLauchlan, said that the brother of the victim, Yvonne Gilford, had agreed to waive the death penalty. Under Saudi Arabia's Islamic law, death sentences are carried out by beheading, but the victim's family has the right to spare the defendant's life in return for "blood money".

Britain's Foreign Office could not confirm that Miss Parry had received the death sentence, as claimed by the International Law Firm, which is representing the family of the victim, but said Miss McLauchlan was found guilty of being an accessory to the murder of Miss Gilford at Dahran in December 1996.

Salah al-Hejailan, the nurses' lawyer, told Reuters news agency that a settlement had been reached to spare the death penalty, and details would be announced soon.

Ulster talks open with unionist attack

By John Murray Brown in Belfast

David Trimble, leader of the Ulster Unionists, yesterday marked the end of an 80-year unionist ban on talks with Sinn Féin, the IRA's political wing, by launching a fierce attack on the UK government for "bringing murderers to the table of democracy".

After sitting across the conference room for the first time with his sworn enemies, Mr Trimble told reporters: "The people on trial today are not just Sinn Féin but also the Labour party and the Labour government."

On a day that fullscale negotiations on the province's political future moved one step closer, the Ulster Unionists appeared anxious to stress they were committed to remaining in the talks.

Mr Trimble said: "We are not going to shirk our responsibility. We're not going to leave these terrorists in the box seat with unionism marginalised. We are not going to run away from the challenges. But we will choose our tactics and those tactics will vary."

Last night Mr Trimble indicated he would continue to shun Sinn Féin by sticking to meetings with the government and other parties. "We can pick and choose bilaterals. We can remodel the process within the existing form," he told Ulster TV.

Mr Trimble's stance reflected internal party tensions, with one MP challenging his judgment for going into talks and the hardline Democratic Unionists accusing the UUP of betraying their electoral mandate.

The British and Irish governments will today present a compromise formula, which they hope will win party support and let the talks move into another political phase.

Backing from the UUP, as the largest party, is required to allow George Mitchell, the talks chairman and former US senator, to put the still unresolved issue of arms decommissioning to one side.

Japan

Continued from Page 1

market share from trust banks and life assurers. Many Japanese companies face growing pressure to raise the returns they earn on their pension funds.

Companies such as Nomura and Industrial Bank of Japan, the two largest investment advisers in the country, will benefit from the reform. Both companies are aggressively seeking to expand their asset management operations.

GE Capital in $880m deal

Continued from Page 1

which has held back the company's expansion in Europe. Founded by Craig McKinney in 1977, it has developed rapidly by providing motor finance at the point of sale through dealers, with strong businesses in Ireland, the UK, Portugal and Denmark.

The move from the French bank, with its single A-minus credit rating, to GE Capital, rated triple A, is expected to save Woodchester a quarter of a percentage point, or I£5m a year, on interest costs.

The auction of Crédit Lyonnais's stake was launched in March and Woodchester, advised by Chase Investment Bank and Goldman Sachs, originally hoped the sale would go through by June.

The company had hoped for a price in the range of 280-290p, but even at 263p the purchase still values Woodchester at nearly three times book value. GE will have to absorb an estimated £360m of goodwill.

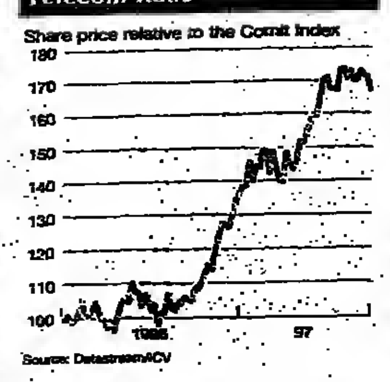
THE LEX COLUMN

Italian job

Italy is struggling so much to assemble a hard core of shareholders for Telecom Italia's upcoming privatisation that one is tempted to ask whether it is worth the effort? Members of this *nocciolo duro* are being asked to pay a premium and tie their capital up for three years. Not an attractive proposition, one might think. There is, of course, a *quid pro quo*: each appoints a director. But what is the value of that? Not much, unless one hopes a board seat means contracts will be funnelled one's way. But therein lies the problem. Special deals for the *nocciolo duro* – with the exception of potential strategic partners such as AT&T – would make Telecom Italia less attractive for outside investors. So would it not be better simply to sell all the government's shares in a public offering? It is a sad reflection on the state of Italian corporate governance that the answer is probably no. The last time Italy tried such an approach – with Credito Italiano and Banca Commerciale – the boards were hijacked by Mediobanca, the Milanese merchant bank. Consob, the stock market watchdog, was caught napping. Nowadays Mediobanca is a spent force and Consob has more credible leadership, so fears of a similar hijacking are exaggerated. Even so, there is still the problem of who would appoint the board. Leaving it to the politicians would risk a classic Italian carve-up, with directors for each special interest group. Giving the job to a *nocciolo duro* may be the least-bad solution.

FTSE Eurotop 300 index: 971.6 (-2.3)

Telecom Italia



GMG/LVMH

Bernard Arnault, chairman of LVMH, the luxury goods group, has a reputation as a sharp negotiator. But in his attempt to muscle in on the proposed merger between Guinness and Grand Metropolitan (GMG), he has not been playing his cards skilfully. Yesterday's disappointing results from Moët Hennessy, LVMH's drinks' business, have weakened his bargaining position further. GMG will be able to argue that what Mr Arnault is bringing to the party has lost value. And grumbling from his own shareholders, who have seen LVMH's share price underperform the French market almost 30 per cent this year, could become more audible. Mr Arnault may regard their views as irrelevant, since he controls more than 56 per cent of LVMH's votes. But given that the share price also reflects poor performance from his acquisition of Duty Free Shoppers, it takes the gloss off his credibility as a deal-maker.

Mr Arnault still has a solid negotiating hand, such as his threat to force Guinness to sell back its minority stake in Moët Hennessy and various distribution joint ventures at knock-down prices. Moreover, Mr Arnault's basic concept of a three-way merger still makes sense. But, as ever, there is a question of whether the right terms can be cut. Mr Arnault will probably have to rein in his ambitions for a simultaneous demerger of the GMG food businesses. He will also have to give up his plans to gain effective control of the enlarged drinks business without paying a premium.

GE Capital

In the financial services jungle, GE Capital resembles a gorilla with a gold-plated credit card. Yesterday the General Electric division was shopping again, adding Woodchester Investments, an Irish car leasing group, to its collection for I£591m ($880m). This is the latest acquisition in a spree which has turned GE's former in-house finance company into a sprawling financial services empire. Revenues have doubled to $33bn in four years and GE Capital now contributes nearly 40 per cent of its parent's earnings.

There is little obvious overlap between, say, equipment rental, project finance and life assurance. But in each case, GE Capital was early in spotting trends – such as outsourcing or deregulation – that triggered consolidation, and has aggressively used its capital strength to participate. It has brought GE's manufacturing approach to financial services by concentrating on being the low-cost provider, backed by investment in technology. And it has focused largely on unglamorous "back-office" services, such as managing other people's credit cards, where margins are high. The reward was a return on equity of 22 per cent last year.

Such profits should attract competition. But even those who can match GE Capital's resources have hesitated to embrace its aggressive business model or match the breadth of its activities. Maybe GE's culture and success as an unabashed conglomerate have given its finance subsidiary a competitive edge.

UK multimedia

Who should be celebrating Don Cruickshank's resignation as UK telecommunications regulator? British Telecommunications, which has borne the brunt of his lashings for the last four years, is the obvious answer. But, in fact, the pros and cons of Mr Cruickshank's departure are finely balanced. He was tough, but also fair and consistent. There is no guarantee that his replacement – if, indeed, that is an individual not a committee – will be a softie, and an inconsistently harsh regulator would be worse than the status quo. BT may, of course, harbour hopes that a new regulator will take a fresh look at issues such as whether it should be allowed to integrate Cellnet, its mobile communications subsidiary. But there must also be a risk that new blood will revisit Mr Cruickshank's plan for progressively relaxing the regulatory noose.

If anybody has cause to crack open the champagne, it is British Sky Broadcasting, not BT. Before Mr Cruickshank came along, the pay-television monopoly faced little effective regulation. But in the last year he has taken great interest in BSkyB's move into digital television. The result is a regulatory scheme that should open BSkyB's distribution network to rival programmers, denting its monopoly. That is one reason the group's share price has been so hammered this year. But even BSkyB shareholders should pause before celebrating. Mr Cruickshank's pay-TV regime may not be complete, but he still has six months in the office.

See additional Lex comment on MEPC, Page 20

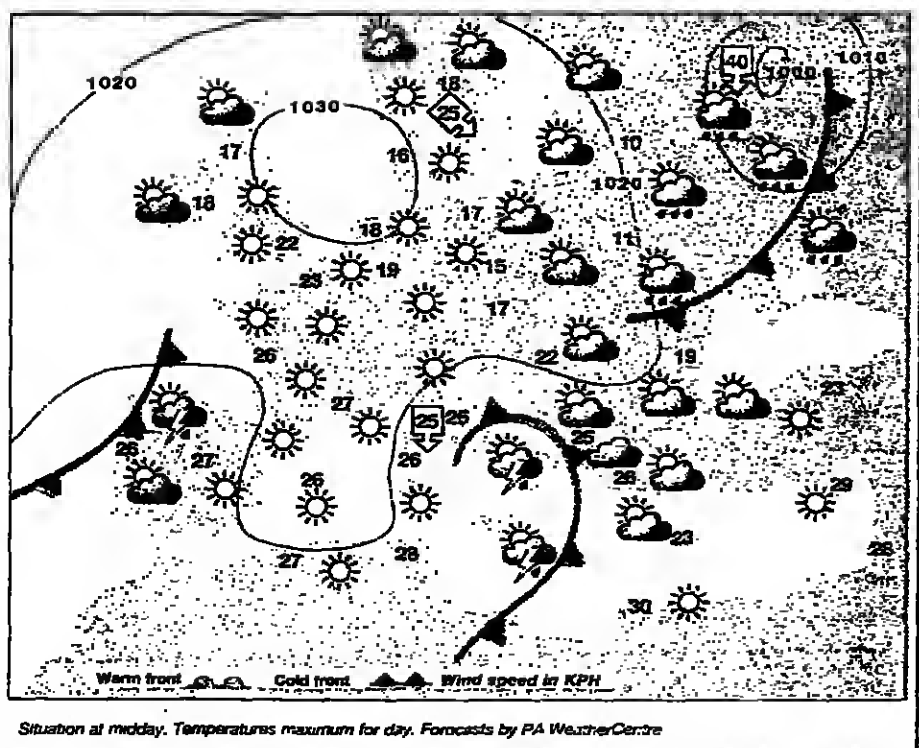
FT WEATHER GUIDE

Europe today

High pressure over the North Sea is affecting much of central and western Europe. This will bring fine and dry weather with plenty of sunshine to many areas but cool nights and light winds will give abundant morning fog. Low pressure over western Russia will bring cloud and rain followed by sunshine and showers with a cold and gusty wind. Northern parts of Norway and Sweden will be rather cloudy with rain associated with a warm front. Southern Italy and Portugal will be unsettled with thundery showers.

Five-day forecast

Eastern Europe will be cold with showers. These conditions will reach as far south as Greece by tomorrow and Friday where it will be windy, unsettled and considerably cooler than recently. The western Mediterranean will become increasingly unsettled with thunderstorms. The rest of Europe will continue mainly fine and dry.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum Celsius										
Abu Dhabi	sun 38	Beijing	fair 25	Cardiff	sun 20	Frankfurt	fair 19	Madrid	fair 27	Rangoon	thunder 32
Accra	fair 30	Belfast	fair 19	Casablanca	fair 25	Geneva	sun 22	Majorca	sun 22	Reykjavik	rain 13
Algiers	sunny 27	Belgrade	fair 20	Chicago	fair 18	Gibraltar	cloudy 24	Malta	sun 25	Rio	fair 27
Amsterdam	fair 18	Berlin	fair 17	Cologne	fair 18	Glasgow	sun 19	Manchester	sun 19	Rome	shower 26
Athens	fair 24	Bermuda	fair 27	Dakar	fair 31	Hamburg	fair 16	Manila	thunder 33	S. Frsco	sun 27
Atlanta	shower 27	Bogota	cloudy 23	Dallas	fair 24	Helsinki	shower 10	Melbourne	fair 13	Seoul	fair 24
B. Aires	fair 21	Bombay	shower 32	Delhi	fair 31	Hong Kong	fair 29	Mexico City	sun 24	Singapore	fair 32
B.ham	fair 20	Brussels	sun 21	Dubai	sun 39	Honolulu	fair 32	Miami	fair 32	Stockholm	fair 13
Bangkok	thunder 32	Budapest	fair 17	Dublin	sun 18	Istanbul	cloudy 19	Milan	fair 19	Strasbourg	sun 20
Barcelona	fair 23	C.hagen	fair 16	Dubrovnik	cloudy 23	Jakarta	fair 32	Montreal	shower 14	Sydney	shower 17
		Cairo	sun 30	Edinburgh	cloudy 17	Jersey	sun 22	Moscow	rain 7	Tangier	cloudy 28
		Caracas	thunder 32	Faro	fair 25	Jo'burg	shower 26	Munich	sun 17	Tel Aviv	sun 28
						Karachi	sun 33	Nairobi	sun 23	Tokyo	fair 24
						Kuwait	sun 41	Naples	sun 25	Toronto	fair 17
						L. Angeles	fair 31	Nassau	thunder 32	Vancouver	fair 20
						Las Palmas	fair 26	New York	fair 32	Venice	sun 24
						Lima	fair 24	Nice	sun 26	Vienna	fair 17
						Lisbon	fair 26	Nicosia	sun 29	Warsaw	shower 11
						London	sun 23	Oslo	fair 16	Washington	fair 20
						Lux.bourg	sun 21	Paris	sun 21	Wellington	rain 12
						Lyon	fair 23	Perth	fair 20	Winnipeg	fair 27
						Madeira	cloudy 25	Prague	fair 15	Zurich	fair 18

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Czech breweries' media war hots up

Bass

The Czechs are being treated to the rare spectacle of a corporate media war over Radegast, the country's second biggest brewer, as IPB, the Czech bank, and Bass, the UK brewer, battle for supremacy in the sector. This week Bass and IPB offered to buy out each other's Radegast stake and both gave long interviews to Czech newspapers. Page 17

Carmakers struggle for home form
Japanese carmakers' exports are booming, owing to the yen's weakness against the dollar and the US economy's strength, but there has been a slump in domestic demand. The result is that most have the wrong product mix and are caught between a shortage of export models and excess domestic stock. Page 19

Hedge funds lose their sparkle

Hedge funds in emerging markets lost 7 per cent of their value in August as south-east Asia woes helped wipe the gloss off their performance. This is the first setback for market investors since the 1994 Mexican peso crisis. The US-based emerging market funds suffered a 0.3 per cent dip in August, although they returned 27.9 per cent in the year to date. Page 34

Companies in this issue

Market Statistics

http://www.FT.com

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Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Badenwerk	570	+	63
Douglas Hldgs	70	+	5.10
Volkswagen	1211	+	33
Falls			
Adidas	323.5	–	5.75
Karstadt	641	–	18
Linde	1236	–	41
NEW YORK ($)			
Rises			
Ambience Hlt	63⅞	+	9⅝
Excel Comm	24⅞	+	2¼
Steinway Mec	23¾	+	1½
Falls			
Micron Tech	36⅞	–	4⅛
RPC Inc	29	–	3⅛
Stanhome	30¾	–	3¼
LONDON (Pence)			
Rises			
Arcadian	65½	+	15
CRT	255½	+	13
Easynet	84½	+	13
Hodder Hdl	198	+	16
Falls			
Darby Grp	141½	–	12
Sentry Farming	83½	–	31½
TORONTO (C$)			
Rises			
Alltix Bio	15.6	+	1.1
Brookwater	9.1	+	1.1
Chapters	27.0	+	3.55
Falls			
Cartlcom	37.0	–	3.0
Inco	20.5	–	1.8
Spectral Diag	8.05	–	0.8
PARIS (FFr)			
Rises			
Credit Natl.	414	+	10.5
Nord Est	133.4	+	7.4
Falls			
Chargeurs	391	–	10
Pernod Richd	292	–	9.5
Schneider	351	–	13.8
Valeo	367.5	–	9.2
HONG KONG (HK$)			
Rises			
Fat Pacific	7.8	+	0.25
HSBC Hlds (5)	231.0	+	2.0
HK & China Gas	15.05	+	0.25
Falls			
China Res Ent	28.45	–	1.0
Henderson Inv	8.45	–	0.25
Swire Pcfc A	59.0	–	1.25
BANGKOK (Baht)			
Rises			
PTT Exp & Prd	394.0	+	34.0
Songkla Chlng	38.5	+	3.5
Thai Presdnt	165.0	+	14.0
Falls			
Hana Micro	100.0	–	11.0
Safari World	29.25	–	3.25
Sino-Thai Res	13.75	–	1.5

Tokyo closed. New York and Toronto prices at 12.30pm.

Battling companies' profits up

Guinness, LVMH see shares fall

By John Willman in London and David Owen in Paris

Guinness and LVMH, two companies locked in a battle over plans to create the world's largest drinks company, both reported profit increases yesterday and were rewarded with falls in their share prices.

Fears over the impact of currency movements and uncertainty about trading prospects in Asia were behind both falls.

LVMH, the French luxury goods group, suffered the bigger drop in share price, down FFr81 to FFr1,294 ($21.74), with investors disappointed by operating profits from the newly acquired Duty Free Shoppers chain. While profits from champagne were up FFr144m, those on cognac were down slightly more – particularly hit by weakness in Asia.

Guinness, the spirits and brewing group, reported a 4 per cent rise in pre-tax profits in the first half of the year to £372m ($599m). Although this was above market expectations, the shares closed down 7½p at 576½ on concerns over the impact of the strong pound on profits for this year and next.

Both companies are continuing to discuss plans to merge Guinness and Grand Metropolitan, the UK food and drink group, to form GMG Brands, according to Tony Greener, Guinness chairman. Bernard Arnault, chairman of LVMH, has tabled proposals for a three-way merger that would include his Moët Hennessy drinks subsidiary floating off the brewing and food interests of the other two companies.

"If there are proposals that add clear incremental value for both sets of shareholders we would certainly look at them," said Mr Greener.

"But it must involve a fair proportion of any additional value coming to our shareholders."

Mr Arnault last week told the Financial Times he would be presenting new proposals to the two British companies in the next month which would still require the creation of a separately listed drinks company.

But Mr Greener refused to comment on the LVMH position or reports that European Union and US regulators might require changes in the merger plan to deal with competition issues.

Pound hits Guinness, Page 20
LVMH disappoints, Page 16
Lex, Page 14

Parc Asterix plans listing on French second market

Theme park to go public

By Samer Iskander in Paris

Parc Asterix, the theme park north of Paris, which is based on the famous cartoon and comic book character, plans to issue shares on the second market, the French exchange for small and medium-sized companies, the company will announce today.

Asterix is one of France's largest theme parks after Disneyland Paris and Futuroscope, the scientific park in Poitiers, south-west of Paris. Its main shareholders include Compagnie Géoérale des Eaux, the water utility, and Accor, the hotel group. Barclays Bank of the UK and GMF, the French insurer, also hold stakes.

Last year, Parc Asterix had 1.7m visitors, and net profits were FFr15.5m ($2.57m) on sales of FFr303m. In 1989, the year it was inaugurated, the park had 1.35m visitors. But this number fell after the opening of Disneyland Paris, to a low of 990,000 in 1992.

Asterix, whose adventures are based on resistance to Roman occupation by a small village in ancient Gaul, is one of the world's best-selling series of comic books. Several stories have been turned into animated films.

Proceeds from the flotation, planned for the second half of October, will be used to finance the park's expansion.

The transaction will also allow some of the shareholders to get out of the venture. Several shareholders have complained about the park's losses in its early years and low profitability after that.

The company will also announce that it has chosen Crédit Agricole Indosuez, Deutsche Morgan Grenfell and Natexis Banque as arrangers for the equity issue.

Hayaux de Tilly, a French stockbroker, is also involved in the share placement.

JCI and Lonrho at odds over gold merger

By Mark Ashurst in Johannesburg and Ross Tieman in London

South African mining house determined to go ahead, but UK conglomerate rejects link to concentrate on break-up plans

JCI, South Africa's first black-controlled mining house, is determined to merge its gold interests with Lonrho, the UK conglomerate, in spite of the failure of broader merger talks between the two companies.

Brett Kebble, chairman of JCI's gold division, said there was "absolutely no doubt" the company's most profitable gold assets would be merged with Lonrho following their separation from its base metal interests. "The Lonrho board are looking for common opportunities, and they want good quality assets to be put into Lonrho," he said in an interview.

But Mr Kebble's suggestions that any kind of merger might still go ahead were vigorously rejected by Lonrho. "This is the first we have heard of it," said one adviser. "We terminated the merger talks. Lonrho is intent upon its own demerger process."

Although Lonrho's break-up plans have been dogged by delays, the company remains adamant its efforts to sell its Princess hotel chain, and demerge its African trading arm are making headway. But efforts to reorganise ownership of its African mining interests, the core of the group, have yet to reach fruition.

Mr Kebble said: "The question is, what does Lonrho want to be? I say, a large mining company with some control over its assets."

JCI has already agreed to sell Tavistock, its wholly-owned coal business, to Lonrho and is awaiting approval from the European Commission to take up Anglo American's 27 per cent strategic stake in Lonrho at the year-end. "We are not just going to take up 27 per cent in Lonrho and do nothing," said Mr Kebble.

He said any further deal would take place only when JCI had reorganised its gold assets. "Basically, we've got good assets but lousy companies. We can do something about that quite quickly," he said.

Previous merger talks between Lonrho and JCI collapsed in June, following disagreement over a fair value for JCI. "We could have done a deal on slightly worse merger ratios. I just didn't want to do it," said Mr Kebble, who was appointed to the gold division by his business partner and JCI chairman, Mzi Khumalo. But Lonrho directors insist it was they, not JCI, that walked away from a deal.

Mr Khumalo acquired a controlling stake in JCI from Anglo American in November last year at R54.50 a share. That is more than double JCI's current share price, which has been hit by weak bullion prices and the collapse of the Johannesburg gold index. To rescue his investment, Mr Khumalo is due in November to announce details of a demerger of its gold and base metals interests.

This will herald the end of its traditional structure as a diversified mining finance house with minority stakes in an array of independently listed mines. The restructuring is designed to boost the rating of JCI's gold interests, which make up more than 70 per cent of its assets.

Taiwanese microchip group in $12bn push

By Laura Tyson in Taipei

Advanced Semiconductor Engineering (ASE) of Taiwan is planning to invest T$340bn (US$11.9bn) over the next 10 years in a move which aims to make it the world's leading microchip packaging and testing concern.

Jason Chang, chairman of the group, said he aimed to increase its international market share to between 16 and 17 per cent by 2010. ASE is now the biggest packaging and testing group by sales in Taiwan and ranks sixth worldwide.

Packaging and testing is an integral part of the chip manufacturing process, accounting for between 25 and 30 per cent of the wholesale cost depending on the type of chip. After the silicon wafers loaded with circuitry are completed by the chip plant, they are sent to the packaging company. There they are first tested, then cut into small chips and packaged according to the product type and application, and finally tested once again before they are ready for shipment.

The plant, to be built in Taiwan's second high-technology park, in southern Tainan, is the latest substantial investment in the country's fast-growing chip industry.

Taiwan is the fourth largest producer of integrated circuits and capacity is projected to grow rapidly. ASE needs continually to expand and upgrade its technology in order to meet expected demand for its services.

ASE, a packager, and its subsidiary ASE Test, which specialises in testing, are jointly to carry out the project. ASE holds a 69 per cent stake in ASE Test. About 80 per cent of the investment is to come from the ASE group, with the remainder from outside investors. No financing details were available.

The project is expected to create 2,700 new jobs. ASE Test plans to list on the Taiwan stock exchange later this year following a successful debut - the first for a Taiwan company - on the US over-the-counter Nasdaq exchange. For the listing, parent ASE will reduce its stake from 69 per cent to 62 per cent, said Andrew Lu, an electronics analyst at BZW.

ASE said revenues from its planned Tainan plant were expected to reach T$286bn in 2010.

Barry Riley

Mercury's morale booster for UK pension funds

As if we were not afflicted by enough investment risks, Mercury Asset Management has defined another one: "shortfall risk". It is the possibility that excessive caution will yield disappointing investment returns.

This risk alert goes out to Mercury's clients today in a new document, *Strategic Asset Management**. Such pronouncements from MAM are rare, even though it is the UK's market leader in pension funds; it manages £61bn ($97.6bn) of UK institutional money out of £90bn worldwide. Perhaps the company feels a need to protect its brand when pension fund investment faces unusual upheavals.

Specifically, the document can be seen as a vigorous defence of a high-equity strategy at a time when UK pension schemes face particular challenges from the increasing maturity of their liabilities and from legislative changes such as the introduction of the Minimum Funding Requirement and the loss of tax clawback on UK dividends.

Although this is a reference work rather than a guide to current market valuations – it is about strategy, not tactics – Mercury expresses concern that investors will be unduly influenced by "noise" or uncertainty. Pension schemes vary in risk tolerance, but Mercury says the differences should not be over-emphasised.

Real returns on UK equities are likely to be between 5 and 7 per cent, says MAM, against 3½ or 4 per cent on government bonds. If, as many think, future equity returns from the current market level – with the effective dividend yield now only 2.6 per cent – will be at the bottom of the range, should equities be downweighted? MAM says emphatically that the natural role of the long-term investor in a growing economy is to be "the proprietor".

As for the riskiness of UK equity returns, Mercury points out (but does not explain) a statistical puzzle in that, over the past 50 years, volatility has been much higher (28 per cent

Vigorous defence of a high-equity strategy at a time when UK pension schemes face particular challenges

a year) during years ended December than years ended March (18 per cent). Not surprisingly, it prefers the latter figure. Modest exposure to still more risky asset classes such as emerging market equities and private equity (venture capital) is recommended as a way of improving returns. But Mercury is less positive about property, arguing that, on the basis of actual market transactions, the volatility of returns is twice as high (15 per cent) as is implied by property indices. But property remains useful for diversification.

Amid the long-term theories, a few of Mercury's shorter-term preoccupations can also be detected. There is a sideswipe at unnamed consultants for producing over-precise asset allocation percentages out of "black box" asset-liability models. MAM believes wide margins of uncertainty apply.

And there is an attack on the usefulness of reversion to the mean in asset allocation.

The bigger commercial statement, though, is that MAM is evidently determined to play a role in setting benchmarks as well as running portfolios. The consultancy firms will not be given a clear run.

Recent changes (July's dividend tax move was the last straw) have triggered a wave of pension scheme strategy reviews. Mercury agrees that mature schemes should move towards "safe harbour" assets but insists that for most funds equities remain the natural asset class. Another significant trend is the accelerating shift towards defined contribution plans; Mercury thinks that DC will account for up to half of UK pension fund assets in 10 years.

It is positioned to respond with lifetime strategies – moving each scheme member from aggressive to defensive assets with age – and guaranteed products.

There remains, though, what you might call "fallout risk"; Mercury's own shares were displaced from the FTSE 100 Index this week. But it is surely only a tactical setback.

**£25 to non-clients from Tiffany Collingwood at MAM, 33 King William St, London EC4R 9AS*

LVMH results disappoint investors

By David Owen in Paris

Shares of LVMH, the French luxury goods group trying to derail the plan to merge Guinness and Grand Metropolitan, fell sharply yesterday after it announced disappointing half-year profits.

The shares closed down FFr61, or 5.9 per cent, at FFr1,294, as the group acknowledged that earnings from its 61 per cent stake in DFS, a duty-free shopping chain, had been hit by the decline of the yen against the US dollar.

Consolidated net income excluding LVMH group exceptional items rose 10 per cent to FFr1.7bn ($282m). The group said the increase would have been 8.5 per cent on a comparable structural basis.

The figures included goodwill amortisation of FFr217m, against FFr81m. However, they did not take account of the negative FFr113m impact of the recent increase in French corporate income tax rates.

Analysts said the market's reaction reflected disappointment with other operations besides luxury goods distribution.

"The DFS margin was below expectations, but the market was also disappointed with perfume and cognac," said Cedric Magnelia of Credit Suisse First Boston.

Many regarded yesterday's decline as an overreaction, however. "I think the market has been concentrating a lot on the bad side," said Jacques-Franck Dossin, France analyst with Goldman Sachs in London. Analysts in general seemed to be cutting their full-year profits forecasts by between 3 and 5 per cent.

At the operating level, income climbed 26 per cent from FFr2.66bn to FFr3.36bn, with champagne, wines, luggage and fashion turning in reassuringly robust performances.

Luggage and fashion achieved income of FFr2.09bn, up from FFr1.74bn, on sales ahead from FFr4.76bn to FFr5.71bn. Mr Dossin said this suggested the group had "rejuvenated" the Louis Vuitton brand. Income from champagne and wines, including the Moët Hennessy and Veuve Clicquot brands, rose from FFr191m to FFr335m on sales up from FFr2.11bn to FFr2.4bn.

Cognac and spirits fell from FFr801m to FFr649m on sales virtually flat at FFr2.34bn. The group said a 10 per cent increase in cognac sales in the US partly offset the impact of its strategy of reducing inventories in Japan.

Luxury products distribution achieved income of FFr449m, up from FFr76m, on sales ahead from FFr3.91bn to FFr11.06bn. It said the impact of DFS on group income from operations was "largely positive".

Bernard Arnault, LVMH chairman, will next month present proposals to merge the group's drinks interests with those of Guinness and GrandMet. He has said he would accept less than the 35 per cent he had sought and would take other steps to calm fears that LVMH would become the controlling shareholder.

Worms chief resists Artemis bid

By Andrew Jack in Paris

Worms & Compagnie, the French conglomerate, has sufficient support from its shareholders to resist the FFr24bn ($3.4bn) hostile takeover bid by Artemis, the chairman claimed yesterday.

In an interview with the Financial Times, Nicholas Clive Worms said he had the support of Ifil, the holding company of the Agnelli family, of Italy, which has a 20 per cent stake in Worms, as well as that of the Worms' family shareholders, who control a further 22 per cent.

Together, these two stakes would make it impossible for François Pinault, chairman of Artemis, to reach his stated objective of a two-thirds control of Worms.

The news came as advisers to Mr Pinault yesterday defended the FFr410 a share offer.

They argued that the price reflected the stagnant performance of Worms shares, even after restructurings at the company last year and earlier this year.

They also argued that their bid took into account the substantial capital gains taxes that would be levied in breaking up the group, and represented a far smaller discount to the value of the net asset of the company than that at which it had been quoted.

However, Mr Worms argued that his company, at up to FFr33bn, was worth far more than this bid.

It is believed that Worms is to go ahead with the planned sale of Athena, its profitable insurance subsidiary, in spite of the takeover bid.

A "data room" is likely to be opened for four shortlisted candidates in the next few days, with the idea of completing the sale of the subsidiary before the end of the year.

Mr Worms has restructured his company over the past two years, which has created a fully quoted company containing all its assets.

He merged all the non-quoted interests held by members of his family into this group.

The result has been to make Worms & Compagnie more vulnerable to takeover, even as he was attempting to refocus the conglomerate on its industrial interests – sugar and paper – while selling its financial participations.

It sold Banque Demachy Worms earlier this year.

Worms & Compagnie is likely to bring forward the publication of its half-year results, which were due on October 6, and at the same time make an official statement on the Pinault bid.

Before reacting, it is waiting for the judgment by France's self-regulatory authority, the Conseil des Marchés Financiers, on whether the takeover is valid under stock-market rules. The ruling is expected in the next few days.

Nicholas Worms: claims enough support from shareholders to be able to defeat the bid

Fiat on verge of Russian deal

By Our International Staff

Fiat, the Italian carmaker, is poised to return to the Russian market 31 years after its Togliattigrad Russian car manufacturing venture.

The Italian group yesterday confirmed it was in advanced negotiations with Gaz, the Russian car manufacturer, to assemble 150,000 cars a year at the Nizhnij Novgorod plant, 400km east of Moscow, in a $850m joint venture.

The deal is expected to involve assembly of three new Fiat models including its new "world car", the Palio hatchback, as well as the Siena sedan and the larger Marea sedan.

Mr Ivan Sklyarov, governor of Nizhny Novgorod, said the European Bank for Reconstruction and Development would participate in the project.

The EBRD, which last year extended a $65m loan to Gaz to build a new paint plant, is likely to take an equity stake in the venture and help attract additional financing from a syndicate of Italian banks.

Gaz is rated as one of the best car manufacturers in the former Soviet Union but is better known for its trucks than its passenger vehicles.

It currently produces 125,000 cars a year and 75,000 trucks. Its 1.5m tonne Gazelle truck, launched in 1994, has been a rare success in Russia's ravaged manufacturing sector.

The deal, which may be finalised next week when Romano Prodi, the Italian prime minister, visits Moscow, is not as ambitious as Fiat's aborted effort to forge a Russian joint venture in 1989 to produce 900,000 cars a year. That project collapsed because of lack of financing.

However, the new venture with Gaz will provide the Italian group with the opportunity to compete directly in the emerging Russian new car market with rivals such as Daewoo and General Motors, which already assemble cars.

Renault is also negotiating a project with the Moscow authorities.

Fiat's interest in the Russian market also forms part of the Turin group's broader strategy of developing its presence in emerging markets including Brazil – where it has produced 400,000 Palios since its launch in May 1996 – and in Poland and Turkey.

The group also plans to start car production in India in 1999 and is in talks with China.

The Chinese project, code-named "178", envisages the production of five models based on its new "world car" platform, including a hatchback, a sedan, a station wagon, a pick-up and a van.

EUROPEAN NEWS DIGEST

Chip groups tighten links

Philips, the Dutch electronics group, is to strengthen its technology co-operation with SGS-Thomson of France in the development of manufacturing processes for semiconductors. The two companies, which have collaborated since 1992 in chip making equipment, are today to announce a further three-year agreement in complementary metal oxide semiconductor (Cmos) output.

This is intended to give them the ability to employ circuit elements of 0.18 micron diameter or less, narrowing the gap with US manufacturers. At SGS-Thomson's site near Grenoble, the two jointly developed processes halving transistor width to 0.25 micron, putting these into operation there and at the Philips plant in Nijmegen. A $250m project backed by the US government, announced this month and involving Intel, Advanced Micro Devices and Motorola, aims to use geometries of less than 0.1 micron.

Philips and SGS-Thomson, which did not specify the extent of their investment, point out that they were among only three of the top 15 world semiconductor makers to grow last year. Pasquale Pistorio, chief executive of the French group, said they aimed at "competing worldwide with best-in-class Cmos processes and thus gain market share of the most promising segments."

Gordon Cramb, Amsterdam

■ TELECOMS

Telia targets Nordic markets

Telia, the Swedish state-owned telecommunications company, hopes to capture 20 per cent of the market in neighbouring Nordic countries following the liberalisation of the European Union telecommunications market next year. Lars Berg, chief executive, said yesterday the group could fund that expansion from internal resources, adding that its balance sheet was strong enough to support a SKr14bn ($1.82bn) investment programme this year alone.

He told the Finnish business newspaper Kauppalheti that Telia could use its Unisource alliance with Switzerland's PTT and Koninklijke PTT of the Netherlands as a vehicle for its expansion strategy. Although the alliance faces strong competition from the Global One venture of Sprint of the US, France Telecom and Deutsche Telecom, the Telia chief executive predicted it would break even in 1999.

Tim Burt, Stockholm

■ CONFECTIONERY

Lindt in Italian acquisition

Lindt, the Swiss chocolate manufacturer, yesterday bought Caffarel, one of Italy's oldest family chocolate makers. No financial details of the transaction were disclosed. Although Caffarel is a relatively small Turin company employing 470 people with annual sales of about L85bn ($48.6m), it is one of Italy's best-known quality confectionery brands, famous for its Gianduia 1865 chocolates. The acquisition is expected to be scrutinised by Italian antitrust authorities because Caffarel has the second largest share of the Italian premium brand chocolate market, behind Lindt. The Swiss group is already active in Italy with two plants employing 540.

Paul Betts, Milan

■ POLAND

CSFB to advise on bank sale

CSFB, the investment bank, has been chosen to advise the Polish government on the sale of the Pekao SA banking group. The sale of one of Poland's largest banks, which was consolidated last year with three regional commercial banks in Lublin, Szczecin and Lodz, is scheduled for the first half of next year.

CSFB has been charged with selling up to 15 per cent of the bank's equity through a public offer in 1998, followed by a further sale of up to 30 per cent to a strategic investor or a through a public offer the following year. A further 30 per cent stake in the bank is to be devoted to funding Poland's pension reforms, while its 24,000 employees are to be handed up to 30 per cent of the shares next year.

Christopher Bobinski, Warsaw

■ REINSURANCE

Munich Re takes Italian stake

Munich Reinsurance, the world's biggest reinsurer, said yesterday it had signed a letter of intent to acquire a 20 per cent stake in Reale Riassicurazioni, the Italian reinsurer, in a move which would further strengthen its position in the increasingly competitive European market.

The German group, which did not disclose financial details, said it planned to buy the stake from Turin-based Societa Reale Mutua di Assicurazioni by year-end. It said the acquisition gave it the opportunity to further expand its presence in Italy.

Analysts said the purchase, although much smaller than Munich Re's 1996 acquisition of American Re for $3.3bn, was similar to the US deal in that both companies derived 80 per cent of revenue from their respective domestic markets. Premium income at Reale Ri, which is 90 per cent owned by Reale Mutua and 10 per cent by Unipol, an Italian insurance group, is expected to total about L550bn ($314m) in 1997. In the year to end June, Munich Re recorded profits of DM700m ($390m) and premium income of DM32bn.

Sarah Althaus, Frankfurt

■ FRENCH EQUITIES

SGS-Thomson promoted to CAC-40

SGS-Thomson shares rose 6.8 per cent in Paris yesterday to close at FFr582, following the announcement that the company would be included in the CAC-40 index of the 40 leading shares on the Paris Bourse from November 12. Bouygues, the construction company, and Pernod Ricard, the drinks group, will leave the index. Their shares fell after the announcement, by 3.9 per cent and 3.2 per cent to close at FFr537 and FFr292, respectively. France Telecom, which is being privatised, will also join the index.

Samer Iskandar, Paris

AT&T seeks assurances on Telecom Italia deal

By James Blitz
In Rome

The Italian government's plans to privatise Telecom Italia hit a snag last night after AT&T, the largest US telecommunications group, declined to become a strategic partner until it received assurances about the cost of its stake and the power attached to it.

There has been speculation that AT&T would buy up to 1.5 per cent of the company, to become the main international shareholder in a core group which is being sold 10 to 15 per cent of the telecoms giant ahead of a public flotation. The cost of such a stake could be close to L1,000bn ($571m).

It is understood that AT&T is seeking to bargain down the cost of a 2 per cent commission it must pay on top of the purchase price to qualify for the so-called "stable core" of investors.

AT&T was also said to be seeking confirmation from the Treasury that it would complete a strategic alliance with Telecom Italia this year, a move that would involve co-ordination of the two groups' international operations.

"If the Americans pull out of this thing at the last stage, it would be a disaster as far as the sale is concerned," said a senior official at Telecom Italia. "Without them, the board would be made up of a group of Italian banks and companies, none of whom has the faintest idea how to run a telecoms operation on this scale."

Lex, Page 14

Sales growth helps Clariant to midway rise

By William Hall in Zurich

Clariant, the Swiss speciality chemical company which took over Hoechst's speciality chemicals business earlier this year, yesterday reported a 53 per cent increase in pro-forma operating profits, to SFr483m ($328m), for the first six months of this year.

It attributed the surge to robust sales growth and improved margins.

Sales of the enlarged group rose 21 per cent, or 11 per cent in local currency terms, to SFr4.87bn, and operating margins from 8.9 per cent to 10.9 per cent.

All but one of the six divisions increased operating margins, and only two divisions – surfactants and fine chemicals – had margins of less than 10 per cent.

Clariant, which was spun off from Sandoz in June 1995, more than trebled its size this year when it acquired Hoechst's speciality chemicals business.

Although the deal nearly quadrupled Clariant's workforce and left its balance sheet highly geared, the shares have more than doubled since the deal was announced last December.

Yesterday, analysts got their first indication of whether the "new" Clariant was living up to expectations. Since Hoechst's speciality chemicals business was part of Hoechst until June, the figures are pro-forma and there is no comparative figure for Clariant's pro-forma net income of SFr206m.

Clariant, whose shares were issued at SFr385, closed at a record high of SFr1,211 on Monday. Yesterday they fell SFr22 to SFr1,189, but the decline reflected profit-taking rather than any concern with the results.

The figures confirm that Clariant is bigger than its arch rival Ciba Speciality Chemicals in all but stock market capitalisation.

Clariant's first-half sales are more than 20 per cent higher than those of Ciba and its operating profits and net income are also higher.

Clariant reaffirmed its target of SFr500m of cost-savings by 2000, of which half will flow through next year.

Over the next three years its target is to increase its operating margins to 15 per cent, grow its underlying sales by an average 5 per cent a year, or 2 per cent above the market, and reduce its gearing from 140 per cent now to less than 75 per cent.

As part of its cost-cutting exercise it will reduce the number of operating sites by over a quarter to 100 by the end of next year and reduce the number of affiliates from 170 to 121.

Usinor considers Cockerill Sambre link

By Samer Iskandar
in Paris

Usinor, the French steelmaker, is considering opening talks with Cockerill Sambre, the Belgian group, on possible co-operation.

"If Cockerill Sambre decides to look for a partner, I do not see why we should not be that partner," said Francis Mer, chairman of Usinor.

Jean Gandois, chairman of Cockerill Sambre, said last week the group was studying possible alliances with other European steelmakers.

Their comments suggest further moves toward consolidation amoog European steelmakers, following this year's merger of the flat steel businesses of Krupp Hoech and Thyssen, of Germany, and the sale to Arbed of Luxembourg of a Spanish government stake in Corporación de la Siderúrgica Integral. Usinor was the loser in the CSI bidding.

"Our balance sheet can easily cope with a little more debt," Mr Mer said. "After our Spanish adventure, we are on the road again."

He said that with net indebtedness of FFr6.25bn ($1.04bn) at the end of the first half, Usinor's debt/equity ratio had fallen to a new low of 21 per cent, from 29 per cent a year earlier.

Mr Mer forecast the 1997 results would show an improvement from last year, owing to a combination of higher sales and "reasonable improvement" in steel prices.

Usinor shares rose 3.1 per cent to FFr113.9 in Paris, despite a fall in first-half net profits to FFr801m from FFr833m in the same period last year. Consolidated sales were up 3.1 per cent at FFr38.55bn.

Usinor said its results were affected by a FFr177m provision linked to the closure of the Unimetal wire rod mill at Longwy, in north-east France.

The company expects a pick-up in economic activity and the positive effects of a higher dollar to translate into higher second-half results.

Usinor said it had abandoned plans to build a steel laminating plant in China.

"We reached the conclusion that we could not create enough value-added to justify the project," Mr Mer said. "But this does not prevent us from seeking other opportunities in China."

● British Steel yesterday confirmed it was planning to take a 33.3 per cent stake in Europipe, the steel pipes business jointly owned by Mannesmann of Germany and Usinor, write Stefan Wagstyl in London and Ralph Atkins in Bonn.

British Steel would put into Europipe its two UK plants at Hartlepool and Stockton-on-Tees for making large diameter pipes. The company said that talks, which began more than two years ago, were now "at an advanced stage".

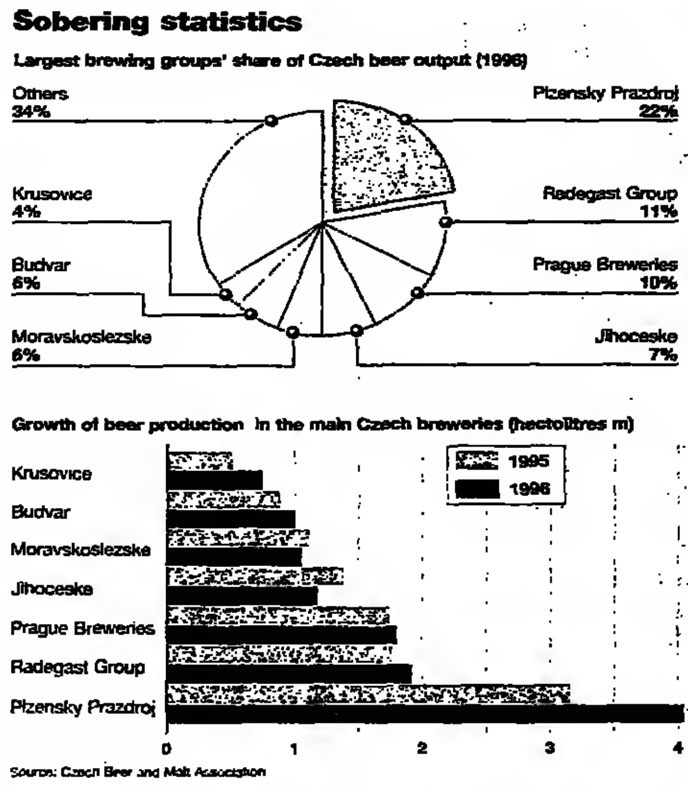
If the deal went ahead, it would mark a further consolidation of the European steel industry, which has in the last 10 years undergone several significant mergers. Europipe was itself formed from the merger of Usinor and Mannesmann's pipes businesses in 1990.

Europipe, which had a turnover of DM1bn ($558m) last year, specialises in large diameter welded pipes used in transporting oil, water and sewage, and in process industries.

It has facilities in Mülheim in Germany, Dunkirk in France and Panama City.

Brewing row puts Czech regulators in spotlight

Bass and IPB are each hoping that the competition authorities will back their plan for the republic's second biggest brewer



Tha Czechs are being treated to the rare spectacle of a corporate media war over Radegast, the country's second biggest brewer, courtesy of IPB, the Czech bank, and Bass, the UK brewer.

This month Bass, which owns the Republic's third largest brewer and has a 33.4 per cent stake in Radegast, responded to rumours of an impending merger betwaen Radesgast and Plzensky Prajdroj, the market leader, by warning of the dominant market position this would create. IPB replied by confirming that the two companies, in which it has majority stakes, were discussing a merger.

This week both companies offared to buy the other's stake in Radegast, and yesterday Graham Staley, head of Bass in the Czech Republic, and Libor Prochazka, depoty head of IPB, gave long interviews to Czech newspapers.

Bass's move seems also to have prompted IPB to offer to buy out the minority shareholders in Prajdroj.

But whatever happens, Bass's loog-held dream of merging Radegast with its 55 per cent-owned Prague Breweries seems to have been dashed.

The proposed merger of Radegast and Prajdroj would create a brewer controlling abont 40 per cent of the republic's production and an important regional business. It would ultimately be owned by Nomura, the Japanese investment bank, through its control of IPB.

Nomura further signalled its determination to expand in the sector this week with the £1.2bn ($1.9bn) acquisition of two UK pub chains from Foster's, of Australia, and Grand Metropolitan, of the UK.

Meanwhile, investigating the deal's merits will test the Czech competition office. The affair is already being scrutinised for what it reveals about the country's attitude to foreign investors, the opaque links between certain companies and the government, and minority shareholders' rights.

Early indications are that Bass has chosen to fight the merger. It owns more than one-third of Radegast's shares, so it can block a full tie-up, but it is counting on the country's competitioo office to reject a strategic alliance.

Bass last waek formally complained to the competition office, saying the merger had in effect already taken place.

Mr Staley says: "Forty-ooe per cent and 14 per cent [Bass's estimated market share] is not competition. No one will be able to compete equally with the market leader."

The competition office says its investigation will weigh the effects of the deal on small brewers, a matter of great concern to a nation that likes its bars.

However, analysts believe it may shy away from confronting a bank with close contacts with the government, and accept that the move would beoefit underperformiog Czech beer exports.

Vojtech Kraus, of ING Barings, says the office has "oever really bad to deal with a situation like this. I would be surprised to see them block the merger".

The setback to Bass's expansion plans hurts most, because the Czech Republic bad been the focus of its European investment drive.

The country offered a large domestic market – Czechs have the highest per capita consumption in the world, at 159 litres a year – a scattered brewing industry ripe for consolidation, and beers that could be exported across Europe.

The UK's biggest investor in the Czech Republic, Bass first invested there in 1994, in Prague Breweries, which it merged early this year with two smaller breweries to create a group with capacity of 3.5m hectolitres. It produced 1.2m hl in the first half of 1997, a 2 per cent fall, but higher prices lifted turnover 6 per cent to Kcs1.16bn ($48m).

However, as Mr Staley concedes, "returns are not adequate yet" aod it bas yet to register a profit. First-half operationing losses were Kcs15.5m and its investment programme has left it heavily geared.

The company has struggled in a competitive and stagnant domestic market where prices are low and consumers price-sensitive. But exports, which are roughly twice as lucrative in terms of sales margins, rose 20 per cent and now account for about 17 per cent of production.

If it had been allowed to buy Radegast, Bass would have had a second premium brand to export, as well as a 29 per cent domestic market share through the brewery's strong position in Moravia.

But IPB's Mr Prochazka insists a sale to Bass "was no longer on the table". IPB, burdened with bad loans, indirectly owns 65.8 per ceot of Prajdroj and 55.5 per cent of Radegast. It believes that combining the groups will maximise sbare value.

However, both Nomura and IPB deny the brewing stakes are being lined up for sale to a foreigo brewer, such as Kirin, of Japao. Indeed, Mr Prochazka says the group does not need a foreign partner to succeed; in fact it is looking to take over more foreign breweries, and some deals are "already in the pipeline".

Analysts say Prajdroj, which is heavily indebted, would benefit from the merger because its top selling domestic brand, Gambrinus, would no longer be pressed by the Radegast premium brand.

Vladimir Perina, head of Prajdroj, says the company, which produced more than 4m hl last year and has an estimated 26 per cent market share, must expand.

"We must control at least 10m hl of beer. If not, we will only remain a domestic producer," he says.

However, apart from access to the market leader's distribution network, it is not clear what Radegast has to gain.

One executive says he fears that the deal "would pump up the shareholder value of Prajdroj at the expense of Radegast" and that the company's export ambitions might be curtailed. Analysts are also sceptical.

Mr Kraus says: "If I was a shareholder of Radegast, I would prefer them to co-operate with Prague Breweries. They are a better fit and would help them export."

Robert Anderson

Bertelsmann seeks approval for pay-TV pact

By Frederick Stüdemann in Gütersloh

Mark Wössner: start-up costs will be 'significant'

Bertelsmann, the world's third-biggest media group, yesterday vowed to step up its campaign to convince German and European cartel authorities to approve its proposed alliance with KirchGroup and Deutsche Telekom to develop digital pay-TV in Germany.

The move follows increasingly sceptical noises from the German cartel office about the deal, and threats from the country's public sector television networks to mount a legal challenge to the alliance. Opponents argue the tie-up discriminates against other broadcasters.

In June, Kirch and Bertelsmann ended a year-long battle for dominance in pay-TV by pooling their digital interests in Premiere, a pay-channel. Dentsche Telekom later agreed to provide the technical platform and decoding access for the venture.

Mark Wössner, Bertelsmann chief executive, said yesterday co-operation between the three companies was necessary to meet the significant start-up costs for digital pay-TV. If the deal, which has not yet heen formally registered with the European Commission, was blocked, the market itself "just would not exist".

The focus on digital pay-TV is part of an overall shift at Bertelsmann into electronic and new media activities, which was underscored earlier this month by the acquisition of CompuServe, the US online services company, by America Online. Bertelsmann owns 5 per cent of the AOL parent company in the US and 50 per cent of AOL Europe.

In the 1996-97 fiscal year, electronic and new media business accounted for 35 per cent of gronp turnover. Bertelsmann says that figure will be 45 per cent by 2000.

Group sales rose 4 per cent to DM22.4bn ($12.5bn). These did not include figures from CLT-Ufa, which has a turnover of roughly DM5bn and pre-tax profits of DM400m. Operating profits were up 5 per cent to DM1.6bn while net income increased 13 per cent to DM1.02bn.

Athens-FTSE index

By Kerin Hope in Athens

The Athens stock exchange joins forces today with FTSE International to launch a real-time equities index, designed to attract foreign institutional investors and support the launch next year of derivatives trading in the Greek market.

The FTSE/ASE-20, to he quoted alongside the existing Athens genaral index, covers the 20 higgest and most liqnid Greek stocks. These include hanka, the partially privatised state telecommunications operator and a handful of industrial and manufacturing companies popnlar with international investors.

Professor Manolis Xanthakis, bourse chairman, said the new index was designed to "facilitate life for an increasing number of international institutions that are responsible for a quarter to a third of daily transactions in Athens, mainly in hlue-chip stocks with good liquidity".

Most of the 200 companies listed on the Athens market have a small capitalisation or are family controlled. Prof Xanthakis said the free float of shares was gradually increasing, hut still amounted to only 20 per cent of total market capitalisation of Dr10,600bn ($37.5bn).

The ASE/FTSE-20 index will he operated by the Athens bourse authorities and audited by the London-based FTSE group, which calculates about 2,500 indices daily, including 60 on a real-time basis.

COMPANIES AND FINANCE: THE AMERICAS

Morgan Stanley beats estimates

By Tracy Corrigan
in New York

Morgan Stanley, Dean Witter, Discover, the US-based financial services company, yesterday reported record net income of $878m in the third quarter, up 15 per cent from the previous quarter and 51 per cent, pro forma, from the previous year.

Earnings per share of $1.09 for the quarter were well ahead of analysts' estimates of 96 cents, according to the First Call research service. Morgan Stanley merged with Dean Witter, Discover in February.

Charles Hill, director of research at First Call, noted that it looked as if securities firms were set to exceed brokers' third-quarter estimates, as they had for the previous two quarters.

"Brokers have consistently underestimated earnings" in the sector this year, because of their concern that it would be hard to match last year's already strong earnings, Mr Hill said.

Goldman Sachs, Wall Street's largest remaining partnership, kicked off the third quarter last week with record earnings.

Morgan Stanley's investment banking revenues were up 88 per cent, driven by a doubling in revenues from mergers and acquisitions.

Bob Scott, the company's chief financial officer, said that the pace had slowed a little at the end of August and early September, but was picking up again. "Looking at the calendar, we would expect activity to remain pretty high until the end of the year," he said.

Net income in the Discover credit card business rose 29 per cent to $124m, despite a 24 per cent increase in the provision for loan losses relative to the previous year.

Mr Scott said that there were mixed signals from the credit card business on the bad debt cycle, with the net charge-off rate showing a fall since the previous quarter, but the delinquency rate showing a rise.

"We have tried to raise the crossbar on credit quality" in the last year, he said.

The asset management side of the business produced record net income of $185m, up 153 per cent from the previous year.

Retail assets – managed mainly under the InterCapital and Van Kampen brands – rose $12bn for the quarter to $166bn, helped by sales of mutual funds through the retail brokerage network.

Morgan Stanley, Dean Witter, Discover has started a marketing campaign to convince some of its 40m Discover credit-card holders to buy shares through its internet brokerage business, recently renamed Discover Brokerage Direct, writes Tracy Corrigan.

Discover Brokerage said it was sending direct mail-shots to a pre-screened section of Discover card holders, starting this month. Market research found that the value focus of the Discover brand was most likely to appeal to potential users of internet brokerage, while Dean Witter brokerage customers were more keen on service.

The San Francisco-based internet brokerage, formerly called Lombard, was acquired by Dean Witter last December.

"It's a window on one possible way the [internet brokerage] industry may evolve," said Raphael Soifer, securities industry analyst at Brown Brothers Harriman.

Discover Brokerage Direct earned revenues of $9m in the third quarter, up 13 per cent from a year ago. However, it reported 84,000 internet trades in August, nearly treble the volume nine months earlier.

Fila nets $80m US basketball contract

By Richard Waters
in New York

Fila, the Italian sporting goods company, has agreed a $80m endorsement deal with one of the brightest young stars in US basketball in an attempt to boost its flagging reputation as a maker of athletics shoes.

The contract, announced yesterday, reflects the increasingly cut-throat nature of the $8bn US athletics shoe market. With sales in 1997 predicted to be unchanged after jumping 10 per cent in 1996, rival manufacturers have followed market leader Nike and embarked on big endorsement contracts in an attempt to win market share.

The Italian company, which accounted for 7 per cent of athletics shoe sales in the US last year, announced a seven-year deal with Grant Hill, a forward for the Detroit Pistons. Mr Hill first signed with Fila in 1994, after graduating from college as one of the hottest prospects in the National Basketball Association.

The value of the deal – thought to be second only to Nike's contract with the industry's acknowledged superstar, Michael Jordan – drew sceptical reviews.

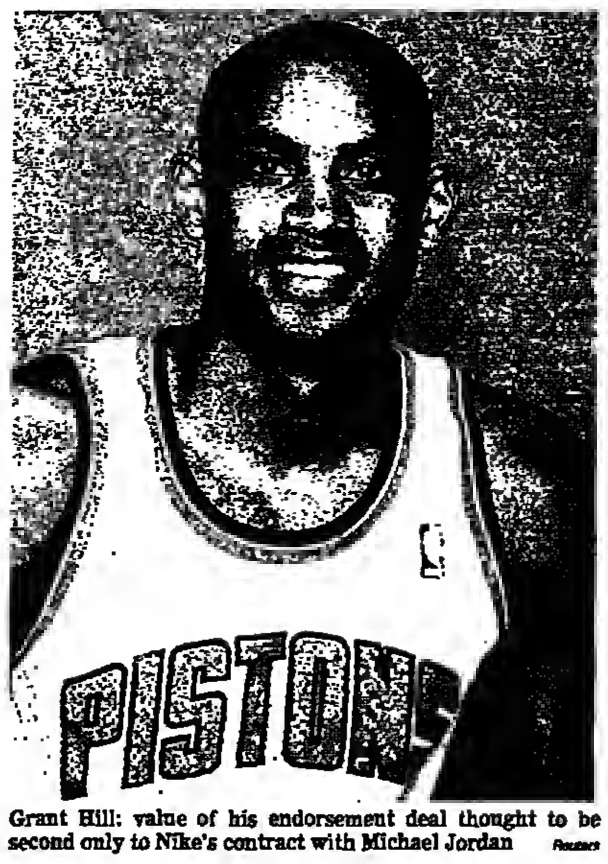
"I don't believe Fila will see a return on this investment," said Shelly Young, an industry analyst at Hambrecht & Quist in San Francisco.

The Italian company has attracted little enthusiasm for its products in athletics circles and has relied mainly on its recent success as a fashionable brand, Ms Young added – a position that leaves it vulnerable to shifts in fashion.

The company will also have to compete with another new basketball shoe brand: Michael Jordan's Jumping Man, a sub-brand of Nike which many expect will quickly become second only to Nike itself in what is the largest segment of the athletics shoe market.

Nike's success with celebrity endorsements took its share of athletics shoe sales in the US to 43 per cent last year from 31 per cent two years before.

Other manufacturers have now tried to follow its lead, with Reebok signing up basketball stars such as Shaquille O'Neal. Adidas, meanwhile, has placed its bets on younger, less well-known players in an attempt to find the next Michael Jordan.



Grant Hill: value of his endorsement deal thought to be second only to Nike's contract with Michael Jordan Reuters

McKesson, AmeriSource plan merger

By Tracy Corrigan

Two of the largest US pharmaceuticals distribution companies, McKesson Corp and AmeriSource Health, yesterday announced plans to merge in a $1.72bn deal.

Under the terms of the deal, McKesson will assume AmeriSource's long-term debt, totalling $532m, bringing the total value of the transaction to $2.25bn.

AmeriSource's shares jumped $8 to $61 11/16 following the announcement, while McKesson's stock rose $3¾ to $103⅛.

The deal was widely seen as a response to the planned merger of Cardinal Health and Bergen Brunswig, which if consummated would have created the largest company in the pharmaceuticals distribution sector, prior to this deal.

However, analysts said that both deals could be blocked on because of antitrust considerations. If the deals went ahead, each company would control about 25 per cent of the total market, estimated Hemant Shah, an analyst at HKS, which specialises in the healthcare sector.

"It's a win-win situation" for McKesson, he believes, since the authorities are likely to feel obliged to allow both deals to go ahead or block both. Mr Shah added that there is a strong business logic to the deal. "In the pharmaceuticals distribution business, size matters" because it improves efficiency and gives greater control of pricing, he said.

"Combining two of the industry's fastest-growing pharmaceutical distributors will reduce the overall cost of healthcare," claimed Mark Pulido, McKesson's president and chief executive officer. Last year, the company bought FoxMeyer Drug, a distribution business with $3.4bn of annual revenues.

Mr Pulido said the integration of that business is "ahead of schedule". Following the FoxMeyer deal, McKesson closed 19 facilities. It currently operates 40 pharmaceutical distribution centres, while AmeriSource operates 21 centres.

Mr Pulido said he expected the total number of distribution centres operated by the combined company to fall to 33 in two years, producing annual savings of $120m from operating efficiencies.

Under the terms of the agreement, AmeriSource shareholders will receive a fixed exchange ratio of 0.71 shares of McKesson common stock for each share of AmeriSource common stock.

American, Delta cut travel agents' rates

By Richard Tomkins
in New York

A move to cut travel agents' commissions appeared to be taking hold in the US airline industry yesterday, as American Airlines and Delta Air Lines announced they were cutting their commissions from 10 per cent to 8 per cent.

Separately, Delta Air Lines suffered a sharp fall in its share price following a warning on Monday night that its earnings per share for the quarter to September would fall well short of analysts' expectations.

The airlines' decision to cut commissions follows an announcement last week by United Airlines, the biggest US carrier, that it planned to cut its rates on domestic tickets to 8 per cent with immediate effect.

United said the reduced rate would also apply to tickets bought for international travel originating in the US and to tickets bought in Canada for travel to the US.

The move represents the second recent assault on agents' commissions. In 1995, all the big US carriers, except Trans World Airlines, capped the maximum amount payable on domestic fares at $25 for one-way tickets and $50 for round-trip tickets.

The airlines plan to retain these caps, but to reduce the commissions they pay to 8 per cent. The caps will apply only to domestic fares, but the rate cuts will apply to domestic and international tickets.

The American Society of Travel Agents, an industry body, yesterday attacked the cuts, saying they would wipe out travel agents' slender profits on the sale of airline tickets.

However, many US travel agents have moved to a system of charging clients for their services instead of relying on airline commissions, and the demise of the sector predicted after the last cut in commissions has failed to materialise.

Delta said it expected the latest commission cut to produce savings of $90m-$100m a year out of the $1bn-a-year it pays to travel agents. But its share price tumbled $5⅞, or 5 per cent, to $101¼ in early trading.

The previous night, the company said earnings per share for its fiscal first quarter to September would fall short of analysts's forecast and the year-earlier figure because of weak revenues. In the comparable period, it had fully-diluted earnings per share of $2.98, on net profits of $238m.

Analysts said Delta was suffering from an unfavourable comparison with a period in which it gained revenues from the Atlanta Olympics and the temporary grounding of ValuJet Airlines, a low-cost airline that competes in its territory.

Unisys names new chief

By Nicholas Denton
in San Francisco

Unisys, the mainframe computer maker, has underlined its transformation into a computer services company by appointing a former audit partner at one of the big six accountancy practices as its new chief executive.

It announced yesterday the choice of Lawrence Weinbach, who until August was chief executive of Andersen Worldwide, the group containing Arthur Andersen and its sister company Andersen Consulting, which advises on the installation of computer systems.

The decision ends the uncertainty which has surrounded Unisys' management since James Unruh revealed in June he would step down as chief executive as soon as a replacement could be found.

Mr Weinbach said his goal was to cut Unisys' debt, which stands at $2.3bn after a costly investment in mainframe production in the 1980s, to $1bn over the course of two years and to promote profitable growth.

Although the strategy remains unclear, Mr Weinbach's background in professional services is a clear indication that Unisys, which grew as a supplier of large central computers to organisations such as banks, is changing direction.

The appointment may provide the impetus for Unisys to respond to the urging of some analysts by ridding itself of its troubled hardware business, but Mr Weinbach said any speculation along those lines was premature.

"I am coming here with a clean sheet of paper, looking at the total company, but I don't come here with a preconceived notion that we need to get out of hardware," he said. "Nobody should read in that because I came out of the services business, that is what is important."

Mainframe production, in which Unisys is dwarfed by International Business Machines, now represents only about one-third of the company's revenues, with services and maintenance increasing in importance.

AMERICAS NEWS DIGEST

More bidders in Ecuador sell-off

Competition to win a 35 per cent stake in Emetel, Ecuador's state telecommunications company, increased yesterday as four foreign telecoms operators joined four others already bidding for the sale.

GTE and MCI of the US, Telecom Italia and Spain's Telefónica had already been prequalified to participate in the sale, which is due to take place by public auction on November 20. This week, Telmex of Mexico, British Telecom, Deutsche Telekom of Germany and Bezeq.Globe of Israel joined the race, registering their interest by a midnight dealine on Monday following the reopening of the prequalification process by Congress in August. Conam, Ecuador's state modernisation council, now has until October 6 to prequalify these additional potential bidders.

The value of the whole of Emetel is estimated at about $3bn. The minimum price acceptable in the auction will be announced on October 22. *Justine Newsome, Quito*

■ SEMICONDUCTORS

Weak earnings hit Micron shares

Micron Technology shares fell more than 10 per cent, from $40⅞ to $36⅞, in early Wall Street trading yesterday, after the US chip maker's disappointing earnings report late on Monday.

Analysts attributed Micron's disappointing fourth-quarter earnings – 33 cents a share compared with a First Call estimate of 46 cents – to the ever-volatile market for dynamic random access memory chips, or D-Rams.

Prices for the chips have fallen steadily since May. Although Micron still managed to maintain a 40 per cent gross margin on the chips, declining prices could cause problems for the company in the near term, analysts said.

For the first quarter, which ends in November, analysts are expecting earnings of 35 cents a share. The earlier consensus estimate had been 54 cents. *AP-DJ, New York*

■ TAIWAN

Starbucks in coffee-shop venture

Starbucks, the leading US coffee-house chain, yesterday signed an agreement with President Enterprises, Taiwan's leading foods group, to develop coffee shops in Taiwan.

This marks Starbucks' entry into its fifth foreign market and its third in Asia after Japan and Singapore, where it launched ventures in August and December 1996, respectively.

"Our intimate knowledge of the Taiwan marketplace and extensive knowledge of the coffee industry make us the perfect partners to bring Starbucks to Taiwan," said Kao Ching-yuan, chairman of President. Mr Kao said he hoped to open at least 200 shops in Taiwan.

The deal was reached between President Chain Store, President's 7-11 franchise and Starbucks Coffee International. President Chain Store will take a 50 per cent stake in the venture. President Enterprises will take 45 per cent and Starbucks will take 5 per cent.

Laura Tyson, Taipei

COMPANIES AND FINANCE: ASIA-PACIFIC

Prescott wins backing of BHP chairman

By Elizabeth Robinson in Sydney

Jerry Ellis, chairman of BHP, the Auatralian resources group, reaffirmed his confidence in John Prescott, managing director, after a "challenging" year in which the company lost three senior directors, wrote off nearly A$1bn (US$720.5m) from its assets, announced the closure of its Newcastle stealworks and underestimated costs at a plant by about A$1bn.

Speaking at the shareholders' meeting, Mr Ellis said: "Wa are going to come through this slump and Mr Prescott is going to lead us."

On Friday the company announced worse-than-expected first-quarter profits of A$284m.

Mr Ellis also stressed the board was committad to increasing shareholder value. Earlier this week National Australia Bank replaced BHP as the country's biggest company by market capitalisation on the Australian Stock Exchange.

BHP shares closed 11 cents higher yesterday at A$15.89.

Shareholders demanded to know more about the cost overruns at the company's Hot Briquetted Iron plant in Western Australia, which BHP said last week would cost A$1bn more than planned. Mr Ellis said "tbe complexity of the process was not fully appreciated st first", but that "lack of information is isolated to that project". He added that the board was "embarrassed" by the overruns.

He said that Mr Prescott was now driving for higher standards of management, including greater performance-related incentives. Two nf the directors who departed in August had been connected with the HBI plant.

BHP was also questiooed on unlocking value by splitting up the group, a move which had been supported by the head of the petroleum division, who also left in August. However, Mr Ellis said: "There is more shareholder value in BHP comhined than separated."

He did not doubt that the spin-off proposal would come up again and did not rule nut considering it, but said "the nutcome is likely to be that we are better in the curreot structure than the alternative".

The chairman said the company was increasing its exposure to copper, which now makes up 17 per cent of total reveoues, compared with 2 per cent 10 years ago. Last year BHP had to write off nearly A$1bn in respect ol its Magma North American copper assets, which had been acquired for A$3.2bn.

Mr Ellis admitted that the write-off was "to reflect lower thao expected reserves". "In short, we paid a high price for Magma," he said.

He added that demand for copper was growing at 3-4 per cent a year, and that the business would "add to shareholder wealth over the medium term".

On Sunday, Mr Prescott warned that projected low copper prices were likely to depress earnings in the copper divisioo for at least three years.

Struggling for form on home ground

As their exports surge, Japanese carmakers have been hit by a slump in domestic demand

Matching aupply with demand is proving a headache for Japan's automotive companies.

While overseas sales reach record levels, domestic demand is proving unexpectedly uneven. The result is that most groups have the wrong product mix and are caught between a shortage of export models and a build-up of domestic inventory.

In terms of export figures alone, this should he a record year for Japan's automotive groups. Thanks to the yen's weakness against the dollar, and the strength of the US economy, overseas business is surging. Honda's August exports doubled year-on-year to 52,087, while exports to the US were up 149 per cent. Mazda, Nissan and Toyota posted export growth of 63 per cent, 29.3 per cent and 27.9 per cent, respectively.

In fact, export growth could have been even better, analysts claim. Some companies may actually be holding back US sales for fear of a large increase in the trade surplus and the political furore that would follow.

True, Honda has surged in the US, says Edward Brogan, automotive analyst at Salomon Brothers in Tokyo, but that is because it feels politically secure, given its heavy investments in the Nafta region and the high level of locally-sourced parts in the vehicles made there.

Honda Civic

Toyota, on the other hand, is showing remarkable restraint, says Mr Brogan. Its export growth was the lowest of the big five Japanese manufacturers, and it actually scaled down production in August. "They are about to start up significant capacity in North America over the next few years. The last thing they want is to run into political problems."

But while the export outlook appears almost too bright, domestic demand remains in the doldrums. The run-up to the rise in sales tax, imposed in April, now looks to have created an artificial increase in demand, as consumers rushed to beat the tax increase. The annual rate of new car sales plummeted from 8m a year in March to just 5.6m a year in April.

Manufacturers were caught on the bop. Over the following months inventories ballooned as much as 30 per cent, says Matthew Ruddick, automotive analyst at HSBC Capel. Worse, while many companies were unahle to shift domestic stock, they discovered they were short of export models.

The tax increase not only hit harder than expected, but tbe subsequent pain lasted longer than anticipated. From year-on-year growth of 12.4 per cent in March, sales dropped 12.7 per cent in April, 9.4 per cent in May, 5 per cent in June and 10.1 per cent in July. August data have not yet been released, but are likely to show a continued decline.

Last month, Toyota and Mitsubishi Motors reacted hy cutting back domestic production. Nissan has also been limiting output, says Kaoru Kurata, automotive analyst at Goldman Sachs in Japan. A number of groups cut overtime and Saturday working.

Not all carmakers have suffered equally, however. Mazda's domestic sales were up last month, though Mr Brogan says that is mostly accounted for by one new product and by the fact that its performance last year was so poor.

Mitsubishi Motor is also struggling. It previously dominated the rapidly expanding recreational vehicle market, but this now appears saturated and margins have fallen as competitors have launched rival models.

The exception is Honda, whose August domestic sales were down only 2.1 per cent despite its performance last year also being good. A series of product launches have helped it capture market share, and the company is sufficiently confident of demand that it has recently started a second shift at its plant in Sayama, west of Tokyo, says Mr Brogan.

Honda's shares, buoyed by the company's heavy exposure to international markets and its relatively strong position domestically, yesterday hit an all-time high of Y4,280.

The question for the other automotive groups is whether domestic demand will return to the trend before April's tax rise, or whether the trend itself has changed. Year-on-year comparisons will probably continue to fall because the sales were so strong last year, concedes Mr Ruddick, at HSBC James Capel.

In the meantime, much will depend on Tokyo's motor show in October. September sales could continue to plunge because manufacturers are already advertising products due to be launched at the show in October.

However, expectations for the show are exceptionally high, warns Ms Kurata at Goldman Sachs. "There's not much room for disappointment," she adds.

Paul Abrahams

Acer considers manufacturing in Europe

By Peter Marsh in Taipei

Acer, Taiwan's biggest computer company, is considering its first full-scale European manufacturing plant as part of a plan to expand its share of the $100bn a year personal computer industry.

Regional industrial development agencies in the UK, Ireland, Hungary, Spain and France are already bidding to win the plant, which is expected to employ up to 1,000 people within a few years.

The company, one of the world's top 10 makers of branded personal computers, wants to expand its share of the market from 3 per cent to 5 per cent by the end of the century.

A new plant in Europe would cost $25m to $40m and employ 100 people initially, according to Simon Lin, president of Acer's Information Products Business Group – the company's main computer unit.

Mr Lin said Acer was most likely to build the new plant between 1999 and 2002, although he could not rule out this happening sooner. The factory could begin production within six to nine months of a decision.

Mr Lin said he was "reasonably happy" with Acer's 15 to 20 per cent share of the European branded computer market, but he wanted to increase it as part a policy of "balanced growth" around the world.

Under the plan, Acer might decide to upgrade its current European assembly sites in Tilburg, in the Netherlands, or set up a new factory elsewhere in Europe.

Acer set up its Dutch assembly site 18 months ago. Employing 150 people, it receives computer parts shipped mainly from Asia and makes them into finished computers.

A decision to move to full-scale manufacturing would involve Acer making in Europe electronic sub-systems within computers which often have to be changed every few months to cater for developments in technology and demand.

Acer's plans underline the rapid changes in the personal computer industry, where its main rivals are US companies such as IBM and Compaq.

With the industry expanding at up to 20 per cent a year, companies have to set up manufacturing sites close to the main markets while investing in design facilities at the plants so they can make necessary adjustments to the building blocks inside their machines.

Acer makes $3bn worth of branded personal computers a year. It also makes a further $1.6bn of unbranded computers a year. These are sold to suppliers which sell them under their own name.

Acer has doubled its computer sales since 1994 and rapidly expanded its network of production units.

Three years ago it had just one full-scale personal computer factory, in Taiwan, but has since added another in the Philippines and is expecting to complete two more within the next 12 months in China and Mexico.

It is also considering building at least three more assembly sites – in Singapore, Brazil and Mexico – to add to its current assembly operations in Japan, the US, Canada as well as the Netherlands.

Acer's biggest market for computers is in the US, where it generates 35 per cent of sales. The company is also strong in south-east Asia.

Personal computers make up the biggest share of Acer's sales. This year the company expects to have total turnover of about $6.7bn.

Acer also makes semiconductors and telecommunications products.

Siebe in £193m US controls purchase

By Andrew Edgecliffe-Johnson and Nikki Tait in Chicago

Siebe, the eugioeeriog compaoy, yesterday aooooced a £193m ($310.7m) US acquisition to expand its appliance controls division, alongside plans for ooo-core disposals.

The cash purchase of the appliance control operations of Eaton Corporation, a supplier to the Midwest automotiva industry, comes four mooths after Siebe's £327m acquisition of APV, the process equipment company. Allen Yurko, chief executive, said: "This will give us euough to chew ou for tha next six to nine months." But he hoped to grow further in south-east Asia when the opportunity arose.

The latest purchase, combined with the sales, would lift earnings and "maintain the group's strong balance sheet", he said, leaving interest cover at about eigbt times and gearing just over 50 per ceot.

The businesses being bought made operating profits of £19.4m on sales of £272.6m in the year to June. Net assets were £129.8m.

Mr Yurko added that, after restructuring costs of £10m-£15m, "significant iotegratiou benefits" were expected.

The businesses put up for sale had combined sales of £115m last year, and were profitable. They incinded the garage equipment operations and Wells Electrouics, a semicondnctor maker. Siebe had already received several approaches.

Eaton stressed that its slightly larger automotive controls business was not part of the sale.

Property group to sell non-UK assets and redistribute £300m of proceeds

MEPC launches strategic overhaul

By Norma Cohen, Property Correspondent

MEPC, the UK property company, is to sell off its assets outside the UK and distribute at least £300m ($483m) of the proceeds to shareholders as part of an overhaul of its strategy.

It will also cut its dividend by up to 40 per cent – from its curreot level of 20p per share – from the beginning of October 1998.

The assets to be sold are a US shopping mall chain and its Australian property portfolio, which together were last valued at about £1bn. The company is believed to be considering a flotstioo of its Australian business and a trade sale of its US operations.

Tha company has been under pressure from shareholders to improve its performance which has lagged far behind the property sector.

Investors said yesterday that they broadly welcomed the move, but expressed concern that MEPC reinvest its sale proceeds judiciously.

"I think this has probably saved the management's neck," said one institutional investor. "But it really depeods on the execution of the strategy. The biggest risk is tbat they pay too much to reinvest in the UK."

MEPC's shares have moved up steadily over the past week and yesterday they closed 4p higher at 498½p.

The company had previously defended its internatiooal diversification and resisted calls for a reduction in the percentage of profits it distributes as dividends.

In an effort to bolster returns, it has held talka about a prospective merger with two competitors, Hammerson and Burford Holdings, and approached shareholders in a third, Greycoat, about a possible acquisition.

James Tuckey, chief executive, acknowledged the need to exercise caution when investing in the rising UK property market.

"If we can't find the right investments or the cycle is already more advanced than wa have believed theu wa will return even more of that money to shareholders," he said.

After repaying debts associated with the international portfolio, sales – at book value – would generate cash of £568m.

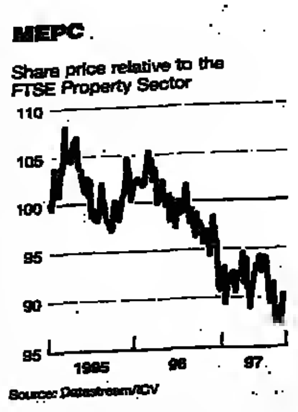
The properties represent 30 per cent of MEPC's net assets hut 48 per cent of its 1996 after-tax earnings before exceptional charges.

MEPC said it had not yet decided how it would distribute the £300m to shareholders, but it is believed to be considering issuing preference ahares as a scrip issue.

If these are repurchased by the company at nominal value, they will not attract advance corporation tax.

LEX COMMENT

MEPC



Who says an old dog cannot learn new tricks? After years in the doghouse MEPC, is making a determined dash for freedom. Whether it would have done so without first feeling the intense beat of shareholder disapproval is doubtful. Still, it would be churlish to deny that the company ia edging towards a coherent strategy, something previously only dimly discernible. The decision to get out of the US and Australia and concentrate on the UK is logical. It was always doubtful whether value could be added in distant markets, and focusing on the UK makes good sense with the current recovery still having some way to run.

More interesting, though, are the financial steps. The promise to return "not less" than £300m of disposal revenues to shareholders effectively precludes MEPC from wanton acquisitions. And armed with this assurance, investors are probahly more likely to give the management the benefit of the doubt should it receive hostile attentions. Rebasing the dividend at a more sustainable level is also an important further step towards putting the company on a sustainable financial footing. Previously, an excessive pay-out and costly debt structure hampered its ability to develop a decent portfolio.

The current financial structure will improve the company's chances of increasing its net asset value, which should drive the share price. But until the management proves it can not only articulate a strategy hut also deliver on it there are safer bets elsewbere.

Guinness expects £60m dent from strong pound

By John Willman, Consumer Industries Editor

The strength of atarling would cost Guinnesa £60m ($96.6m) in pre-tax profits this year and a similar amount next year, the company said yesterday.

The spirits and hrewing group raised interim pre-tax profits 4 per cent to £372m (£357m), despite a £12m dent caused by exchange rate movements. But it said the effect would be much greater in the aecond half, when the bulk of profits are recorded.

Following the turmoil in the Asian currency markets, the group haa revlaed upwards its March estimate that the strong pound would cost it £40m in 1998. Much of Guinness's exposure to the Thai baht on trading for 1997 was hedged, hut it said the loss on translation would be £7m for 1997 and another £5m in 1998.

However, Tony Greener, chairman, said strong performances in other Asian markets had balanced difficult trading conditions in Thailand. Volumes were up 5 per cent in the Asia-Pacific region, with Korea, Taiwan and Vietnam showing strong growth in the six months to June 30.

"These results demonstrate the continuing momentum of both our spirits and brewing husinesses," said Mr Greener. "This provides a powerful springboard for the merger with GrandMet."

Turnover fell hy 1 per cent to £2.03bn but would have been up 7 per cent at constant currencies. Sales revenues at level exchange rates rose 8 per cent in the United Distillers spirits division and 7 per cent at Guinness Brewing Worldwide.

In spirits, total case sales were up 1 per cent after taking account of stock edjustments, and overall everage selling prices rose by about 1.5 per cent. Malt whiskies did well across Europe, while de luxe scotch made advances in northern Asia and North America.

Marketing investment in the spirits side rose 5 per cent, and Mr Greener predicted that the full-year increase would be more than 10 per cent – in line with strategy.

On the brewing side, sales volumes were up 1 per cent in the first half and the marketing spend up 10 per cent. Irish concept pnbs have boosted sales in Europe where there are almost 1,000 outlets. Worldwide, the number is expected to reach 1,600 by the end of the year.

Earnings per share rose 9 per cent to 13.5p (12.4p). The interim dividend, which is up S per cent at 4.92p (4.55p), will be paid as a Foreign Income Dividend.

Lex, Page 14

Ashley Ashwood

High spirits: Tony Greener, chairman, strides out alongside 'Johnnie Walker' from bottles of Guinness's whisky brand

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Active Imaging ϕ	6 mths to June 30	1.95	(2.22)	2.89♠L	(1.57L)	15.88L	(13.9L)	-	-	-	-	-
Arcolectric	6 mths to June 30	7.56	(6.76)	0.476	(0.258)	5.77	(2.94)	0.809	Nov 19	0.735	-	1.617
Beauford	6 mths to June 30	13.3	(20.9)	0.303	(0.606♠)	0.38†	(0.86)	0.3	Nov 4	0.25	-	0.75
British Biotech	3 mths to July 31	0.257	(0.530)	9.02L	(8.03L)	1.4L†	(1.4L)	-	-	-	-	-
Britton	6 mths to June 30	109.5	(110)	7.94	(11.1)	4.24	(5.76)	1.45	Nov 25	1.32	-	3.3
BSM	6 mths to June 27	12.7	(13.6)	1.51	(2.92)	3.9	(7.5)	2.53	Nov 4	2.53	-	7.59
CLS	6 mths to June 30	15.6	(15)	5♥	(4.5)	4.4†	(4.1)	2.3	Nov 29	2.2	-	5.3
Ewart	14 mths to June 30☆	14.9	(7.86)	2.62	(1.6)	8.16	(4.4)	0.8	Nov 4	0.75	1.5	1.25
Freeport Leisure	Yr to June 28 ★	6.25	(3.73)	1.71	(1.07)	6.21†	(5.16)	0.5	Jan 7	-	0.5	-
Guinness	6 mths to June 30	2,030	(2,048)	372	(357)	13.5‡	(12.4)	4.92	Oct 28	4.55	-	16.1
Headway	Yr to June 30	21.1	(19.3)	1.41	(1.01)	6.4	(4.7)	0.95	Nov 13	0.6	1.3	1.4
Hodder Headline	6 mths to June 30	38	(40.3)	1.32	(0.519)	2.5	(1.1)	2.2	Nov 12	2	-	6.5
Lendu	Yr to June 30	3.9	(1.38)	1.23	(0.097♥)	8.3	(1.15)	2	Nov 4	0.4	2	0.4
Metalrax	6 mths to June 30	50.9	(47.7)	5.73	(5.02)	3.1	(2.7)	1	Oct 31	0.91*	-	3.64*
PizzaExpress	Yr to June 30	71.1	(44.3)	16.2	(10.2)	20.1	(13.6)	2.5	Nov 12	2	3.35	2.7
Proudfoot	6 mths to June 30	21.9	(35.2)	2.6	(2.5)	2	(1.4)	-	-	-	-	-
Rutland Trust	6 mths to June 30	67.1	(51.6)	7.48	(4.9)	2.16	(1.71)	0.45	Nov 26	0.4	-	1.4
Secure Trust	6 mths to June 30	-	(-)	5.06	(4.51)	23	(21.3)	7	Nov 7	6	-	20
Sentry Farming	6 mths to June 30	3.94	(2.62)	0.77L	(0.5L)	6.9L†	(5.23L)	-	-	-	-	5.1
Simon	6 mths to June 30	119	(165.6)	3.9	(3.7)	1.1	(0.6)	nil	-	nil	-	nil
Southern News ϕ	Yr to June 28	105.4	(88.9)	14.1♥	(16.8♥)	51.83	(66.11)	15	Nov 11	13.25	20	17.75
Stockbourne	Yr to Mar 31	5.63	(2)	0.5L♠	(5.3L)	0.27L†	(3.31L)	nil	-	nil	nil	nil
Tarmac	6 mths to June 30	1,328	(1,228)	38.6	(58.3L♠)	2.5	(4.8L)	3	Dec 3	3	-	5.5
Vanguard Medica	6 mths to June 30	-	(-)	9.94L	(3.66L)	41L†	(22L)	-	-	-	-	-
Winchester Multi ϕ	Yr to Mar 31	0.831	(3.06)	1.41L♠	(1.9L♠)	12.4L	(18.7L)	-	-	-	-	-
Wolstenholme Rink	6 mths to June 30	42	(43.4)	3.62	(2.63)	29.5†	(21.9)	10	Nov 11	9.5	-	25.5
Woodchester Invs ♣	6 mths to June 30	-	(-)	25.1	(21.4)	8.73	(7.41)	nil	-	3.16	-	7.85

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ‡On reduced capital. ☆Comparatives for 12 months. ★Comparatives restated. Foreign income dividend. Includes FID element. Includes 0.5p special. *After adjustment for scrip issue. ϕAim stock. ♣Irish currency.

Redland in talks on deals with Lafarge

By Andrew Taylor, Construction Correspondent

Redland, the UK buildings group, and Lafarge of France said yesterday tbey were considering putting their French aggregates businesses into e joint venture.

In a separate move, Lafarge is negotiating to acquire Redland's loss-making French ready mix concrete business.

Redland announced in March that it proposed to sell its French interests but abandoned this plan because of the fall in the value of the franc and the low offers it received.

The UK group purchased its French businesses in its £1bn ($1.61bn) contested takeover in 1992 of Steetley, e rival UK building materials group.

It leter edmitted that it had paid too much for Steetley and that the deal had been a "financial disaster". French profits last year slipped £22.6m to £2.3m.

The joint venture would create France's largest aggregates business with an estimated market share of about 15 per cent.

The combined ready mix concrete operations, where Lafarge is already market leader, would have an estimated market share of about 25 per cent.

NEWS DIGEST

Reshaped Tarmac back in the black

A rising UK construction market helped to lift pre-tax profits at Tarmac to £38.6m ($62.1m) in tha first half of 1997. This compared with a £58.3m loss last time after the group took a £65m restructuring charge following its £800m asset swap with George Wimpey.

Neville Simms, chief executive, said opersting profits – excluding the impact of the previous year's restructuring charge – had more than doubled to £59m (£28.6m). The profits improvement was assisted by annualised savings of £40m from tha cost reduction programme launched after the swap.

UK quarry products, benefiting from increased sales volume and prices, lifted operating profits by 64 per cent to £43.3m US aggregate profits, however, dipped to £10.1m (£11.6m) on lower sales of £136m (£149.7m). This reflected pricing pressures in Florida, the sale of some former Wimpey businesses and the first inclusion of the loss-making winter period from Canadian businesses. The construction division – which encompassing areas like facilities management and private sector investment in infrastructure as well as more traditional building and civil engineering work – increased profits from £700,000 to £8.2m with turnover rising from £670.8m to £737.7m. Group sales rose to £1.33bn (£1.23bn). *Andrew Taylor*

Inntrepreneur tenants press on

Lawyers for almost 1,000 tenants engaged in suing Inntrepreneur, the pub operator due to be sold to Nomura, the Japanese bank, have said they intend to continue with their legal actions.

Nomura said yesterday it had carried out due diligence checks before going ahead with the deal to buy the 4,309 pubs in the Inntrepreneur chain and had been happy to take on the potential liability from legal action from tenants. The tenants are alleging Inntrepreneur's rents and the amount it charged for beer breached European competition rules. *Robert Wright*

LEGAL NOTICES

No. 004275 of 1997
IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION COMPANIES COURT
IN THE MATTER OF KENWOOD APPLIANCES plc
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 28th August 1997 for the confirmation of the reduction of share premium account of the above named Company by £9,000,000.

AND NOTICE is further given that the said Petition is directed to be heard before the Registrar of the Companies Court at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 15th day of October 1997.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share premium account should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated the 19th day of September 1997
CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ
Ref. KO
Solicitors to the Company

SAMANTHA INVESTMENTS PLC

£15 million Subordinated Floating Rate Notes Due 2001

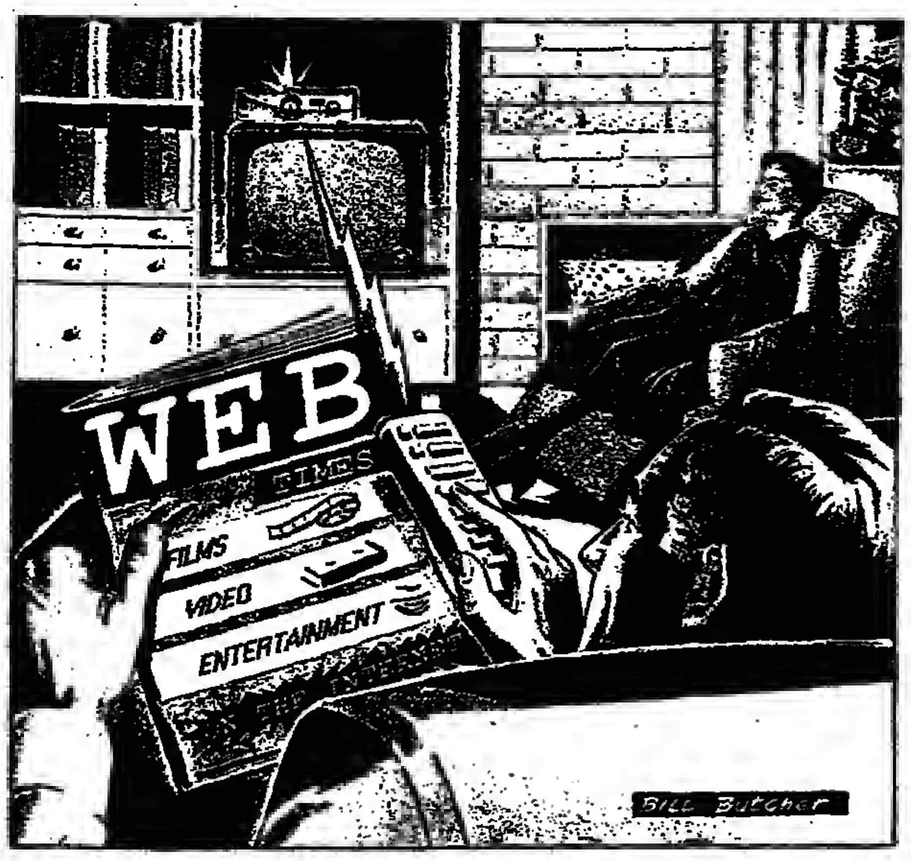
In accordance with the provisions of the Notes, notice is hereby given that for the interest period from 22nd September, 1997 to 23rd March, 1998 the Notes will carry interest at the rate of 9.17 per cent per annum. Interest payable on 23rd March, 1998 will amount to £4,572.44 on each £100,000 Note.

West Merchant Bank Limited
Agent Bank

Web television and home entertainment · Nicholas Denton

Making better TV

Set-top boxes will bring internet advances to living rooms



Steve Perlman – chief executive of WebTV, the company which was supposed to bring personal computer technology to the television – has a confession.

Launching the company's second generation set-top box, he says: "People that are really into it, they don't think of it as the web, they think of it as better television. We would call WebTV interactive television if it didn't have such a bad reputation – if, called that, it wasn't doomed to failure."

It is a surprising admission. The term interactive television is associated with Time Warner's Full Service Network, a project which the media company closed last year with a $100m (£62m) loss after a disastrous trial on its cable systems in Orlando, Florida. The notion is supposedly superseded by the world wide web's far richer content.

And improving on television seems an unambitious goal for WebTV, given the company's pedigree and latest product. The one-year-old Palo Alto venture, acquired by Microsoft for $425m in April, was supposed to bring personal computer technology into the living room. It expects to sell 1m units, from which it will earn a monthly subscription of $19.95, by the end of 1998.

Granted, set-top boxes from WebTV will from next year use Microsoft's Windows CE software, a pared down version of its operating system for PCs. And WebTV's second generation product, WebTV Plus, which goes on sale in the US next month, does indeed exploit economies of scale in the manufacture of PC components.

The company's manufacturing partners have managed to pack in, for a recommended retail price of $299, a cornucopia of hardware: an advanced video chip and television tuner that allows the manipulation and melding of images and data, a modem operating at 56 kilobits per second, the fastest rate of communication commercially available over basic telephone lines; a video modem for downloading internet data at 20 times that rate; and a tiny, silent hard disk capable of storing 1.1bn bytes of information, equivalent to 12 hours of compressed video or 50 hours of audio.

Revolutionary though the technical specifications may be, the service offered by WebTV represents an evolution of television more than an invasion by the internet into home entertainment.

The service does use internet communication protocols and a web interface: a user navigates by clicking on images or buttons, and television broadcasts are displayed, like web pages, within metaphorical windows on the screen. The user can access the entire content of the internet through a telephone line modem.

However, WebTV's pride is an electronic programme guide, which, as well as giving show times, provides a link to a description of a film, for instance, and from that to a filmography of the star. It also touts its sports programming, in which live broadcasts are enhanced by interactive statistics on the teams and players. And the capacity of the hard disk allows the possibility of recording video to be viewed later, a long-time goal of the cable industry.

Ross Rubin, an analyst with Jupiter Communications, the market research company, says: "It is really about enhanced television, and less about surfing. I don't know why they keep the 'web' in the title."

When WebTV launched last year, there was a reason. While the interactive television networks had failed to offer sufficient interactive material to keep viewers' interest much beyond a fortnight, the internet content made WebTV more compelling.

Its electronic programme guide, for instance, was integrated with the internet movie database, an exhaustive online directory of films, directors and actors.

However, the living room has proved an alien environment. First, interactivity, the chief quality of the web, is constrained. Online gambling, internet quiz shows such as You Don't Know Jack, and sports statistics all appear to encourage involvement. But users have proved reluctant to use the wireless keyboards that WebTV and its counterparts offer.

The social nature of television, which produces an average of 1.5 people using WebTV at any one time, presents a further restriction. "Surfing the web is not a collective activity, but an individual activity," says Staffan Ericsson, chairman of Vivo Software, a company providing tools for online video shows.

Second, text pages, representing the bulk of web content, are difficult to read on a television screen, which is further from the viewer than a PC screen would be, and of lower definition. About 150,000 units of the first generation box have been sold, fewer than first forecast.

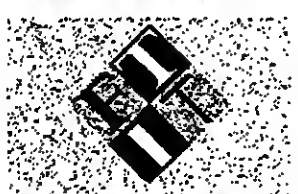
Cable television networks, over which ventures such as @Home Networks and WorldGate are offering internet access, promise the bandwidth for full-motion video and the interactivity of the internet. But few cable systems have been modernised to allow these services and the cost of installation, in @Home's case at least, for the moment precludes their use in delivering large quantities of video.

WebTV, to reach the mass market, plans to embed broadcasts of data within ordinary television signals at night, downloading the data to the hard disk drive in the set-top box. This data, which may represent web pages or even television shows, can be viewed instantly the following day.

This use of broadcasting, far more than the use of the television set as a display, represents the melding of the internet with television. The nightly broadcast will be able to include only selected web sites, such as the graphically intense shows being developed by E!Online and the Discovery Channel to take advantage of the high-bandwidth. Popular sites, particularly those with experience in producing video, will dominate.

Such elitism goes against the egalitarian, "let a thousand flowers bloom" ethos of the internet. However, WebTV Plus users will be able to access the wider internet through a dial-up connection and filter the nightly broadcast of web sites and television shows. Choice will improve with connection speeds and hard disk capacity.

In the meantime, WebTV must tread a fine line: to make the web more like television, but not to the extent that viewers, like those in earlier failed experiments, prefer to stick with the real thing.



Information Technology
● The FT's review of Information Technology appears on the first Wednesday of each month

Eagle Eye · Louise Kehoe

Subtract the ads

A backlash among users may occur as the web risks becoming a new kind of interactive TV service

What is the world wide web coming to? Among the latest so-called innovations on the web is the "intermercial" – a full-screen advertisement that pops up when you go to a web site.

The intermercial is the web equivalent of the television commercial break – as if we needed more evidence that the web is morphing from the electronic equivalent of the printed word into a new kind of interactive TV service.

These five- to 10-second animated advertisements are already being run on "push" services that deliver content automatically to internet users. However, Jupiter Communications, a market research group, is predicting that intermercials will become commonplace on commercial web sites within two years.

Intermercials on web sites have been rare so far. I hope they stay that way. Surely, advertisers will recognise that forcing web site users to endure full-screen advertisements will cause an angry backlash.

Or will it? I suppose initially the novelty of these advertisements may attract a lot of attention. If they are imaginative and amusing we may even come to accept them as part of the "web experience".

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Management gurus talk of transnational, international and global companies. I'd like to suggest a new definition: the dual-national company.

One such is Autonomy. Founded in the UK, in Cambridge, it has established its headquarters in Palo Alto, California. Mike Lynch, founder and chief executive – or managing director if you pick up the British version of his business card – divides his time about equally between each side of the Atlantic.

There is no doubt where Autonomy's roots lie, but it is equally evident that the company must make its mark in the US if it is to be successful.

Autonomy's technology is a web searcher's dream. It finds what you are really looking for. Using a technique called "adaptive probabilistic concept modelling", the software recognises patterns of words in a text and associates them with concepts or topics. By tracking an internet user's activities, it can also deduce the user's interests.

Autonomy recently formed a partnership with NetChannel, a budding provider of web-on-TV services. The Autonomy software will enable NetChannel to create personalised internet channels that present users with information they want, based on its tracking of the user's prior online activities.

Autonomy must be present in Silicon Valley to be sure that its potential is recognised. Financiers and business partners do not go searching for technology advances on the web.

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High-tech conferences are a dime a dozen in Silicon Valley but one that took place last week was very unusual. The vast majority of attendees at this computer science meeting were women. Organised by Anita Borg, a senior researcher at Digital Equipment, the event was designed to give women an opportunity to present their scientific achievements to one another. The goal, she explained, was to "make us visible to one another" and to inspire young women to take an interest in computing.

> The cultural stereotypes – the nerds and the hackers – are all male. What we need are some high-tech heroines

Among women working in the high-tech world, the need for such events is self-evident. Having just returned from a particularly male-dominated conference myself, I was receptive to Ms Borg's ideas. Women, she suggested, need to know that they are not alone in this field.

As she spoke of being the lone female in computer science classes at university, I remembered my days in the Physics Department at the University of Manchester Institute of Science and Technology. There were four of us girls in my year at university, more than ever before, we were told.

Emboldened by our numbers – although women were still very much in the minority at Umist at that time – we invaded the "men's bar" in the student union, inveigled our way on to various department and faculty committees and generally made sure that we were the queen bees. It was great fun.

Then we landed in the real world. It came as a nasty shock when we discovered that men who conducted job interviews were more interested in our reproductive plans than in our education.

These days, the job interviews may be less sexist. But the numbers of female students of computer science in particular are still very low. From a high of about 40 per cent in the early 1980s, the proportion of females in US computer science undergraduate classes has dropped to 16 per cent last year. This decline could be due, at least in part, to the prominence of male role models in the computer industry – from Bill Gates on down. The cultural stereotypes – the nerds and the hackers – are all male. What we need are some high-tech heroines.

The internet may help. While female executives are still few and far between in the Silicon Valley, their numbers are growing among internet start-ups, especially those that mix media and technology skills. I am looking forward to the day when it will not be an unusual opportunity to interview a female executive.

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While shopping last week I came across the first Christmas decorations of the year in a local department store. No surprise. I suppose that the web is imitating the real world in this regard too.

Officially launching on October 1 "in time for the holidays", eToys will carry more than 1,000 toys, books and software programs from 65 manufacturers (no web site address available yet).

The launch of this site is a measure of how far e-commerce has progressed over the past 12 months. A year ago, the great majority of online purchases comprised flowers, computers and books. Now online shopping has entered the mainstream and the prospect of being able to avoid crowded toy stores this Christmas sounds attractive.

I only hope eToys will forgo the seasonal trimmings until later in the year.

Share your views in the Eagle Eye discussion group on the FT web site (www.FT.com) or contact Louise Kehoe by e-mail on louise@FT.com

Millennium Watch · Tom Foremski

Shift into mask mode

Masking presents a cheaper and faster alternative to date-expansion techniques

As the countdown to the millennium continues, the race to make computer systems year 2000 compliant is shifting into a new mode. Many companies face a deadline that could force them to use "masking".

Instead of laboriously rewriting applications with date expansion techniques that accommodate four-digit dates, masking attempts to preserve the core application – wrapping software around it that fools the application into behaving normally.

"It is too late to do date field expansion. The last possible date that you can do it, without 100 per cent of your staff devoted to it, is probably October 1997," says Capers Jones, head of US software consultancy Software Productivity Research.

Mr Jones coined the term "masking" to cover several techniques. Special software is used to intercept date data going into and coming out of an application, and processes that data to prevent a crash in 2000.

Masking represents an unusual approach to the year 2000 problem, and while for many companies it could represent the only approach left, it is also cheaper and faster than date expansion.

US-based Montgomery Insurance, for example, claims it has saved more than $3m (£1.8m) by using a technique called encapsulation. This is a masking technique that borrows internet technology to shift the date back 28 years. The year 2000, for example, becomes 1972, but the calendar for the year remains unchanged.

Montgomery originally estimated that solving its year 2000 problem would cost about $4m. That was to convert only one application, its mainframe-based policy management system, to be able to handle dates beyond 2000.

Instead, Montgomery decided to use web browsers as the interface for its users when they access mainframe data. This uses off-the-shelf hypertext mark-up language (HTML) conversion software, the standard method for defining the format of web pages.

Any dates sent by a user to the mainframe, or queries involving dates, are spotted by the HTML software, which automatically reduces year numbers by 28. Conversely, when the mainframe sends a date to the user, the HTML software adds the 28 years back on.

The project took only five months to complete at a cost of about $500,000 in programming costs and new hardware and software. Montgomery now has 28 years before it has to decide whether to scrap its system or change it to deal with new dates.

Other masking techniques include windowing, compression, bridging, and object code interception: and the choice and use of them depends on the application. "For applications that you know you are going to replace in less than five years, it is probably the most cost-effective strategy. Expanding date fields on applications with a short life expectancy would be quite expensive and masking may be a preferable alternative," says Mr Jones.

Masking, however, generally slows the performance of an application, which can be a problem when fast transaction processing is required. It may also introduce errors that will cause serious problems if the testing and debugging process is rushed. There are also potential problems with internally generated dates within the application that do not pass through the outside masking software first. For older applications it may be difficult for companies to know for sure if their applications use internally generated dates.

Masking is nevertheless rapidly becoming the preferred technique for year 2000 projects and there will be progressively fewer projects starting up that work on date expansion techniques, says Jones.

Encapsulation seems to be the cheapest and most straightforward masking technique as it can be achieved with software products readily available. For some other masking techniques there is a shortage of software tools.

The lower costs of masking and the faster project schedules should allow companies not only to save time compared with conventional date expansion projects but also devote more resources to testing and debugging – and still save money.

Sometime in the 21st century, however, they would have to grapple with the problem again.

INTERNATIONAL CAPITAL MARKETS

Profit-taking as auctions absorb funds

GOVERNMENT BONDS

By Vincent Boland in London and John Labate in New York

Government bond markets paused yesterday after recent strong performances, as investors took profits and big auctions of new stock absorbed funds. Most issues ended down on their overnight levels, but the drops were not big and analysts said the overall tone was still quite positive.

That was reinforced by early reports from two German states on September inflation. Bavaria and North Rhine-Westphalia reported inflation of 1.7 per cent and 2 per cent, respectively, down on the August numbers.

However, the data failed to cheer GERMAN BUNDS as the wider focus remained on the Bundesbank and interest rates.

The December bund contract settled unchanged for the second consecutive day at 102.68, close to the middle of its narrow 18-point range for the day.

More than 111,000 contracts were traded in London, but buying evaporated when US Treasuries came in lower in early trading, sending the future down without any real selling pressure.

But bunds outperformed UK GILTS, which have seen a sharp rally in recent sessions.

An auction yesterday of £1.5bn of five-year gilts – which was covered 2.3 times – lay behind the very short-term bearish mood, with funds drying up and some investors taking the chance to lock in profits.

The December gilt contract settled at 117$\frac{22}{32}$, down $\frac{5}{32}$, on volume of 57,000 contracts, while the 10-year spread over bunds widened a tick to 121 basis points.

The underlying sentiment remains quite bullish, however, with expectations that the spread will continue to narrow.

Data on second-quarter balance of payments and gross domestic product were both seen to be healthy, confirming the UK economy's underlying strength.

Most impressive was the continued resilience of exports despite the recent strength of sterling, which most analysts expect to have an impact at some point before the end of the year.

Graham McDevitt, head of global bond strategy at Paribas in London, said Italian and Spanish convergence had also made gilts attractive in their own right. Further scope for the spread to narrow depended on developments over the next three months. "That will show how much more credit tightening is needed," he said.

ITALIAN BTPs also took the day off, with the December contract settling in London at 111.84, down 0.31, after giving up early gains during which the contract hit a high of 112.30. Volume was 49,000 contracts.

Data from the main cities this week suggested Italian inflation in September would be about 1.4 per cent, compared with 1.5 per cent in August. The figure is being closely scrutinised for clues on how soon and by how much the Bank of Italy might cut interest rates.

Kit Juckes, bond strategist at NatWest Markets, said BTPs had priced in a lot of interest rate cuts in a very short space of time, which he felt was over-optimistic.

"It is difficult to believe we will see interest rate cuts come as quickly as the market expects them," he said.

Further convergence, which has powered BTPs ahead in recent months, now depends on cuts in interest rates, he added.

Most analysts believe a further narrowing of the spread at the 10-year end of the curve is unlikely, and attention is now focusing on the short-term spread, which is about twice as wide as at the 10-year level.

The spread of SPANISH BONOS over bunds, which has also narrowed dramatically recently, is now below 40 points – it ended yesterday at 38 points after hitting 37 points earlier. The December bono contract settled at 103.75, down 0.04, in active Barcelona trading, with 86,700 contracts changing hands.

FRENCH OATs closed unchanged, for the second consecutive day, at 99.64 in very quiet trading ahead of the unveiling today of the main details of the budget.

The details are not expected to affect OATs, which have been very quiet recently, well supported by domestic institutions.

US TREASURIES drifted lower in quiet morning trading, with yields moving higher. By midday the benchmark 30-year bond was down $\frac{3}{32}$ at 100¼, yielding 6.360 per cent.

The 10-year note lost $\frac{1}{32}$ to 100$\frac{11}{32}$, yielding 6.069 per cent, while the two-year note was $\frac{1}{32}$ lower at 100¼, yielding 5.786 per cent.

"We're in a range-trading scenario until we get more economic news," said David Ging, market strategist at Donaldson, Lufkin & Jenrette in New York. Prices moved slightly lower in the hours before an afternoon auction of $15.5bn in two-year notes. A second auction of $11.5bn in five-year notes will be held today.

Prices moved higher on Monday after the dollar rose during the weekend in response to the G7 meeting. Data expected later this week, especially durable goods estimates for August, have the potential to move prices further, although no significant economic news is expected this week.

Recent reports indicating low inflation have led many analysts to expect no interest rate change at next week's meeting of the Federal Open Market Committee, set to begin on September 30.

Kazakhstan returns to bond market

By Kevin Done and Edward Luce

Kazakhstan, the central Asian republic, yesterday tapped the eurobond markets for just the second time with a $350m offering.

The five-year bond was priced to yield 245 basis points over the when-issued US Treasury. J.P. Morgan, the lead manager, attributed "overwhelming" demand for the bond to the country's improving international profile since it tapped the markets last December, including growing awareness of the country's strong mineral resource base.

"Investors basically see Kazakhstan as the Alaska of central Asia. They know it will always be backed up by strong foreign exchange earnings from its oil and gas fields," said an official.

Enthusiasm for the deal meant it was priced roughly flat to the Russian sovereign yield bond curve, in spite of Kazakhstan being rated one notch below Russia by Moody's. Standard & Poor's has rated Kazakhstan at the same level as Russia while IBCA rates it two notches below its neighbour.

It currently has speculative grade credit ratings of BB– from S&P and IBCA and Ba3 from Moody's, but is hopeful they could be raised later this year.

Borrowing terms for Kazakhstan have improved significantly since its debut $200m eurobond in December last year. That bond, which had a three-year maturity, was issued at 350 points over US Treasuries and is now trading at 180 points over.

Yesterday's issue tightened by about four basis points in the secondary markets owing to strong demand. The five-year bond was 45 per cent placed in the US, 40 per cent in Europe and 15 per cent in Asia and the Middle East.

Yesterday's issue went ahead despite legal objections from Wharton Associates, a UK chemicals broker and creditor to the Kazakh government, which said pending arbitration claims over unpaid debts of up to $100m were omitted from the offer prospectus.

Alan Jones, managing director, said Wharton planned to pursue its claim for $14m of unpaid debts under a bilateral agreement between the UK and Kazakhstan governments.

Kazakhstan was keen to establish a benchmark for five-year debt in the international capital market to open the way for other issues planned by Kazakh banks and corporate borrowers.

Kazkommertshank, the country's third largest bank, which has 28 per cent of its shares held by international investors, was yesterday awarded a B+ speculative grade rating by IBCA.

The agency said more work was needed to reduce bad loans and the concentration of credit exposure at the bank, which had also taken "sizeable" currency and interest rate positions.

After completing a $50m international equity issue and a $30m syndicated loan issue earlier this year, Kazkommertsbank is planning a three-year eurobond for up to $100m with ING Barings as lead manager.

Westpac offers rare mortgage-backed deal

INTERNATIONAL BONDS

By Edward Luce

Westpac, the Australian bank, yesterday caught the market's attention with a rare Australian mortgage-backed offering.

The US$499m securitisation – only the second Australian property-linked deal since Puma, the Australian mortgage house, came to the market in March – will be followed by a straight eurobond later this year. This deal will kick off Westpac's recently announced $5bn medium-term note programme.

An official at J.P. Morgan, which led the deal with SBC Warburg and Morgan Stanley, said the deal offered specialist investors in asset-backed securities a chance to diversify their portfolios.

"This isn't your usual US consumer finance or Japanese loan-backed deal," said the banker. "Australian mortgages are still rare."

Officials added that the deal, which has an average life of 3.6 years, was comfortable compared with other mortgage markets. Despite the fact that Westpac suffered heavily from the downturn in the Australian property market in the early 1990s, Westpac's mortgage portfolio has a delinquency rate of just 0.58 per cent, against an Australian average of 0.82 per cent. A mortgagee is delinquent if over 30 days in arrears.

The syndicate reported good demand from Benelux investors, UK credit buyers and some from the Middle East. The paper, which was priced to yield 13 basis points over three-month Libor, was trading flat to its offer price last night.

Elsewhere, UNION BANK OF NORWAY made a rare visit to the eurobond market with a $300m two-year offering. An official at Lehman, lead manager, said the bank had opted for the floating-rate sector to take advantage of "defensive" sentiment in the market.

The rally in the US Treasury market last week has narrowed the spread between US Libor and the three-year Treasury benchmark bond to just 18 basis points – 31 points below the average for the year. This had "accelerated the switch of funds from fixed income to floating-rate notes".

The flattening of the US yield curve last week helped explain why UBN had been able to offer the bond at flat to three-month Libor. "This is basically a liquidity trade. You can price tighter in the floating rate sector at the moment," said the official.

Good demand was reported from Asia and Europe. UBN last came to the market with a DM250m fixed-rate bond in August priced to yield 21 basis points over the German government yield curve.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
WST Tst. 97-4E. Cls A(a)‡	499	(a1)	100.00R	Dec 2028	0.175R	-	JP Morgan Securities
Republic of Kazakhstan	350	8.375#	99.779R	Oct 2002	0.625R	+245(Wl 5yr)	JP Morgan Securities
Union Bank of Norway‡	300	(b)	100.088	Oct 1999	0.125	-	Lehman Brothers Intl
Merrill Lynch & Co‡	200	(c)	99.935R	Sep 2000	0.15R	-	Merrill Lynch International
Petrobras‡	150	(d)	100.00	Sep 2000	0.375	-	Chase Manhattan Intl
Ontario Hydro(s)	82	5.92	100.125	Aug 1999	0.125	-	Lehman Brothers Intl
ITALIAN LIRE							
World Bank	300bn	5.00	101.02	Oct 2000	1.25	-	Caboto Holding
PESETAS							
L-Bank	20bn	5.50	97.269R	Oct 2007	0.20R	-	Argentaria/BCH/BBV/BSN

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) Secured on portfolio of residential mortgage loans originated by Westpac. 10% clean-up call. Av life: 3.6 yrs. a1) 3-mth Libor +13bp. a2) Class B: $17.6m, 3-mth Libor +26bp, par, 5.2 yrs. b) 3-mth Libor flat. c) 3-mth Libor +5bp. d) 6-mth Libor +130bp. s) Short 1st coupon

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Sep 23	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	03/99	6.250	102.2742	4.63	-0.03	-0.10	-0.54	-2.28
	10/07	10.000	128.8919	6.07	-0.03	-0.24	-0.77	-1.64
Austria	09/99	7.000	105.0100	4.31	-0.03	+0.06	-0.09	-0.50
	07/07	5.625	100.2700	5.59	-0.01	-0.06	-0.16	-0.65
Belgium	04/99	7.000	104.3300	4.11	-	+0.06	-0.08	-0.44
	03/07	6.250	104.4500	5.63	-	-0.06	-0.17	-0.75
Canada	03/99	4.000	100.0000	4.00	-0.01	+0.06	-0.07	-1.20
	06/07	7.250	110.7500	5.76	-0.04	-0.03	-0.26	-1.57
Denmark	12/99	6.000	102.7400	4.65	-0.05	-0.01	+0.06	-0.07
	11/07	7.000	106.6400	6.10	-0.01	-0.10	-0.19	-1.02
Finland	01/99	11.000	108.4520	4.16	-0.01	+0.14	-0.24	-0.04
	04/06	7.250	109.8720	5.75	-	-0.09	-0.17	-1.15
France	11/99	7.000	105.7500	4.12	-0.01	+0.03	-0.03	-0.04
	10/04	6.750	109.4600	5.12	-0.01	-0.03	-0.11	-0.67
	10/07	5.500	100.1200	5.48	-	-0.04	-0.14	-0.73
	10/25	6.000	98.3300	6.13	-0.01	-0.05	-0.20	-0.87
Germany	06/99	3.500	99.2200	3.97	-0.01	-	-0.01	-0.38
	07/04	8.750	108.8500	5.17	-0.01	-0.07	-0.17	-0.63
	07/07	6.000	103.3300	5.55	+0.01	-0.06	-0.18	-0.59
	07/27	6.500	104.1800	6.19	-0.02	-0.06	-0.22	-0.75
Ireland	04/99	6.250	101.1300	5.43	-0.01	-0.02	-0.55	-1.08
	08/06	8.000	113.3300	6.02	-0.03	-0.10	-0.42	-1.17
Italy	05/00	6.000	101.6600	5.31	-0.03	-0.12	-0.72	-2.79
	05/02	6.250	102.7800	5.56	-0.06	-0.12	-0.64	-2.87
	07/07	6.750	104.7900	6.09	-0.05	-0.14	-0.44	-2.93
	11/26	7.250	107.4000	6.67	+0.03	-0.17	-0.50	-2.70
Japan	06/99	4.800	107.4500	0.46	-	-0.02	-0.11	-0.62
	12/02	4.800	116.8600	1.44	-	-0.05	-0.14	-0.77
	03/05	3.000	107.5200	1.96	-	-0.04	-0.13	-0.87
	03/17	3.500	110.1400	2.82	-	-0.02	-0.09	-0.64
Netherlands	06/99	7.500	105.4800	4.12	-0.01	+0.01	-	-0.50
	02/07	5.750	101.7200	5.51	-	-0.06	-0.13	-0.52
New Zealand	02/00	6.500	99.5342	6.70	-0.01	-0.44	-0.77	-1.35
	11/06	8.000	109.7685	6.54	-0.02	-0.40	-0.73	-1.74
Norway	01/99	9.000	105.8500	4.40	-0.04	-0.18	-0.29	-1.33
	01/07	6.750	106.4400	5.33	-0.01	-0.09	-0.29	-1.22
Portugal	03/99	8.500	104.8764	4.92	-0.02	-0.12	-0.30	-2.19
	02/07	6.625	104.4235	5.99	-0.01	-0.16	-0.40	-2.08
Spain	07/99	7.400	104.5100	4.77	+0.01	-0.11	-0.46	-2.14
	03/07	7.350	110.1233	5.92	+0.01	-0.11	-0.42	-2.18
Sweden	01/99	11.000	107.7050	4.79	-0.06	-0.05	-0.13	-1.19
	08/07	8.000	112.5200	6.26	-	-0.18	-0.32	-1.57
Switzerland	03/99	4.000	103.2000	1.75	+0.01	-0.01	-0.13	-0.22
	05/07	4.500	107.9200	3.52	-0.03	-0.06	-0.01	-0.55
UK	08/99	6.000	98.4766	6.87	-0.04	-0.18	-0.16	+0.59
	11/04	6.750	100.2500	6.70	-0.01	-	-0.40	-0.73
	12/07	7.250	104.3750	6.65	-0.03	-0.06	-0.47	-1.12
	06/21	8.000	117.0313	6.57	+0.02	-0.08	-0.47	-1.56
US	07/99	5.875	100.1090	5.81	+0.03	+0.01	-0.11	-0.43
	05/04	7.250	106.4770	6.05	-	-0.04	-0.27	-0.55
	08/07	6.125	100.3440	6.03	+0.02	-0.02	-0.29	-0.74
	08/27	6.375	100.0780	6.37	-0.02	-0.04	-0.30	-0.66
ECU	03/99	5.000	100.6400	4.52	-0.01	+0.01	-0.01	+0.16
	04/07	5.500	98.4100	5.72	-0.02	-0.10	-0.25	-0.76

London closing. New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard Annualised yield basis

10 YEAR BENCHMARK SPREADS

Sep 23	Bid yield	Spread vs Bunds	Spread vs T-Bonds
Australia	6.07	+0.52	-0.01
Austria	5.59	+0.04	-0.49
Belgium	5.63	+0.08	-0.45
Canada	5.76	+0.21	-0.32
Denmark	6.10	+0.55	+0.02
Finland	5.75	+0.20	-0.33
France	5.48	-0.07	-0.60
Germany	5.55	-	-0.53
Ireland	6.02	+0.47	-0.06
Italy	6.09	+0.54	+0.01
Japan	1.98	-3.57	-4.10
Netherlands	5.51	-0.04	-0.57
New Zealand	6.54	+0.99	+0.46
Norway	5.83	+0.28	-0.25
Portugal	5.99	+0.44	-0.09
Spain	5.92	+0.37	-0.16
Sweden	6.26	+0.71	+0.18
Switzerland	3.52	-2.03	-2.56
UK	6.65	+1.10	+0.57
US	6.08	+0.53	-
ECU	5.72	+0.17	-0.36

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis

EMERGING MARKET BONDS

Sep 23	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB–	98.2363	7.46	-0.03	-0.07	+1.46
Poland	07/00	7.750	BBB–	103.1687	6.46	-0.02	-0.18	+0.59
Russia	11/01	9.250	BB-	103.1849	8.30	-0.01	-0.29	+2.37
LATIN AMERICA								
Argentina	01/17	11.375	BB	116.7025	9.45	-0.02	+0.02	+3.23
Brazil	11/01	8.375	BB-	103.7436	7.91	-0.02	+0.20	+1.98
Mexico	01/07	9.815	BB	107.4969	8.68	+0.02	-0.22	+2.60
ASIA								
China	07/06	7.750	BBB+	104.4879	7.04	-0.03	-0.47	+0.98
Philippines	10/16	8.750	BB+	100.0866	8.74	-0.01	-0.03	+2.53
Thailand	04/07	7.750	A-	99.2074	7.86	-0.02	+0.82	+1.78
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	103.5972	7.61	-0.04	-0.11	+1.74
South Africa	12/99	9.625	BB+	105.8470	5.83	+0.02	-0.01	+1.03
Turkey	05/02	10.000	B	104.7926	8.72	-0.03	-0.02	+2.72
BRADY BONDS								
Argentina	03/23	5.500	BB	75.2129	8.31	-0.08	+1.85	+2.00
Brazil	04/24	5.250	BB–	73.3344	8.43	+2.05	-1.75	+2.11
Mexico	12/19	6.250	BB	83.0018	7.93	+0.02	-0.44	-1.63
Venezuela	03/20	6.750	B+	88.0809	7.89	+0.02	-0.88	+1.62

London closing. Standard & Poor's ratings. Source: Interactive Data/FT Information

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	99.68	99.64	+0.02	99.78	99.58	74,038	133,698
Mar	99.00	99.02	+0.06	99.06	99.00	2,552	2,130
Jun	98.68	98.68	-0.08	98.66	98.68	2	-

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
96	-	-	3.67	-	0.01	0.05
97	2.64	-	2.76	-	0.05	0.14
98	1.65	1.75	1.92	0.01	0.12	0.29
99	0.66	0.96	1.19	0.02	0.32	0.56
100	0.05	0.39	0.64	0.41	0.75	0.99

Est. vol. total, Calls 10,376 Puts 10,291. Previous day's open int., Calls 67,786 Puts 97,254.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	102.70	102.68	-	102.78	102.60	111202	278554
Mar	101.90	101.93	-	101.93	101.90	591	1842

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
10250	0.18	0.61	0.83	0.97	0	0.43	0.65	1.54
10300	0	0.35	0.57	0.77	0.32	0.67	0.89	1.84
10350	0	0.18	0.37	0.60	0.82	1.00	1.19	2.17

Est. vol. total, Calls 17546 Puts 17517. Previous day's open int., Calls 150976 Puts 208667

NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	104.05	104.18	+0.13	104.25	104.04	132,259	229,120
Mar	103.43	103.48	-0.10	103.48	103.43	634	1,533

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	112.25	111.84	-0.31	112.30	111.76	48545	119635
Mar	111.80	111.74	-0.31	111.80	111.80	7	980

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
11150	1.24	1.82	0.90	1.56
11200	0.97	1.58	1.13	1.84
11250	0.73	1.36	1.39	2.12

Est. vol. total, Calls 4057 Puts 2560. Previous day's open int., Calls 71327 Puts 57148

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	103.84	103.75	-0.05	103.90	103.56	86,733	16,270

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	118-14	118-05	-0-07	118-14	118-02	2653	4068
Dec	117-31	117-22	-0-05	117-31	117-16	57053	170478

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
117	0-44	1-15	1-33	2-10	0	0-35	0-53	1-42
118	0	0-45	1-00	1-40	0-20	1-01	1-20	2-08
119	0	0-24	0-38	1-13	1-20	1-44	1-58	2-45

Est. vol. total, Calls 5560 Puts 6945. Previous day's open int., Calls 42117 Puts 39773

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.32	98.26	-0.06	98.45	98.24	1,652	5,120

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	116-00	115-25	-0-06	116-01	115-19	185,111	580,091
Mar	115-17	115-17	-0-04	115-13	115-13	393	16,165
Jun	-	111-13	-	-	-	3	3,107

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	127.93			127.96	127.92	952	na
Mar	126.99			127.01	126.97	644	na

* LIFFE futures also traded on APT. All Open interest figs. are for previous day

US CORPORATE BONDS

Sep 22	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA-	103.6369	6.34	+0.04	-0.22	+0.37
NY Tel	08/25	7.00	A+	97.2008	7.23	-0.03	-0.33	+0.89
CWE	05/08	8.00	BBB	107.8586	6.94	-0.03	-0.25	+0.89
FINANCIALS								
GECC	05/07	8.75	AAA	115.6454	6.53	+0.04	+0.32	+0.48
Banc One	08/02	7.25	A-	103.3922	6.42	+0.03	-0.23	+0.45
US West	01/07	7.30	BBB+	103.2577	6.81	+0.04	-0.32	+0.76
INDUSTRIALS								
WMX Tech	04/99	6.25	A-	100.1361	6.11	-0.02	+0.06	+0.35
Wal Mart	05/02	6.75	AA	101.8167	6.28	+0.04	-0.24	+0.31
Dayton Hud	06/21	9.70	BBB+	127.2160	7.27	-0.03	+0.36	+0.93
AGENCIES								
FHLMC	04/07	7.14	N/A	105.6554	6.33	-0.04	+0.33	+0.28
SLMA	03/00	7.50	N/A	103.5500	5.92	-0.03	+0.22	+0.08
FNMA	02/18	8.95	N/A	124.4818	6.72	-0.04	-0.34	+0.38
FFCB	06/06	8.95	N/A	117.5047	6.30	+0.03	-0.33	+0.25
HIGH YIELD								
Stone Cont	02/01	9.88	B	102.2500	0.00	-	-	-
AK St	12/01	9.13	BB-	106.0000	0.00	-	-	-
Pacalta	06/04	10.75	B-	104.5000	0.00	-	-	-

New York closing. Source: Interactive Data/FT Information.
Standard & Poor's ratings. Yields: semi-annual basis.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.80
Prime rate	8½	Two month		Three year	5.87
Broker loan rate	7⅝	Three month	4.98	Five year	6.00
Fed funds	5½	Six month	5.20	10-year	6.08
Fed funds at intervention	-	One year	5.45	30-year	6.37

BENCHMARK EUROBONDS

Sep 23	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EURO DM								
EIB	02/07	5.750	AAA	101.2200	5.57	-	-0.14	+0.02
Spain	01/07	5.750	AA	100.7700	5.64	-0.02	-0.13	+0.09
Philip Morris	03/04	5.375	A	99.1200	5.53	-0.02	-0.11	+0.36
ABN Amro	03/05	3.625	n/a	99.6836	5.48	-0.01	-0.20	+0.14
EURO FFR								
Austria	01/04	5.500	AAA	102.0800	5.10	-0.01	-0.09	-0.02
Abbey Nat	02/04	6.000	AA	104.2700	5.19	+0.01	-0.09	-0.07
Cred Foncier	02/04	8.125	A	119.1600	5.48	-0.01	-0.05	+0.36
Abbey Nat	09/06	4.510	AAr	101.5422	4.30	-	-0.99	-1.06
EURO LIRA								
EIB	02/07	7.000	AAA	106.3100	6.09	-0.04	-0.50	-
Abbey Nat	02/02	6.800	AA	104.4000	5.63	-	-0.58	-0.05
Walt Disney	06/00	8.625	A	107.1500	5.71	-0.16	-0.95	+0.34
Abbey Nat	03/07	8.000	AAr	103.4124	7.06	+0.18	-0.70	+0.87
EURO £								
EIB	12/07	7.625	AAA	105.1593	6.90	-0.05	-0.47	+0.25
Dresdner Bk	12/07	7.750	AA	103.1875	7.29	-0.02	-0.45	+0.84
RBS	01/07	8.375	A+	105.9344	7.46	-0.04	-0.46	+0.81
Abbey Nat	02/02	7.400	AA	99.9786	6.75	-0.02	-0.76	+0.02
EURO $								
EIB	04/07	7.250	AAA	105.3858	6.47	-0.03	-0.28	+0.39
ABN Amro	06/07	7.125	AA-	102.7001	6.74	-0.02	-0.27	+0.66
Quebec	01/07	7.000	A+	101.9770	6.71	+0.04	-0.28	+0.63
Citicorp	02/04	5.781	A+	99.5792	5.86	+0.25	-0.15	-0.17
EURO C$								
Bayer L-Bk	08/04	9.500	AAA	120.2500	5.84	-0.01	-0.26	+0.18
Toronto	05/04	8.500	AA+	114.2369	5.85	-	-0.24	+0.18
Bell Canada	07/99	10.625	A+	110.1075	4.63	-0.06	-0.47	-0.22
Deutsche Bk	09/02	5.875	AAA	102.0425	5.40	-	-0.18	-0.06
EURO YEN								
World Bank	03/02	5.250	AAA	117.4000	1.25	-	-0.13	-0.01
Spain	03/02	5.750	AA	119.2500	1.31	-	-0.18	+0.07
Cred Foncier	06/02	4.750	A	113.9631	1.73	-	-0.16	+0.49
Italy	01/99	0.703	AA	100.6903	0.12	-	-0.02	-0.34

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities

Price indices UK Gilts	Tue Sep 23	Day's change %	Mon Sep 22	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	119.67	-0.04	119.72	1.93	8.21
2 5-15 years (21)	156.87	-0.09	157.02	3.11	8.01
3 Over 15 years (4)	189.74	-0.13	190.00	7.15	7.99
4 Irredeemables (4)	254.93	-0.13	255.38	4.17	9.35
5 All stocks (48)	150.32	-0.08	150.44	3.32	8.21
Index-linked					
6 Up to 5 years (2)	237.47	0.00	262.47	0.72	5.22
7 Over 5 years (10)	206.17	-0.02	206.21	1.38	4.70
8 All stocks (12)	205.23	-0.02	205.27	1.31	4.72

UK Indices

	Low coupon yield Sep 23	Sep 22	Yr. ago	Medium coupon yield Sep 23	Sep 22	Yr. ago	High coupon yield Sep 23	Sep 22	Yr. ago
5 yrs	6.70	6.68	7.24	6.80	6.79	7.29	6.84	6.83	7.35
15 yrs	6.64	6.62	8.03	6.65	6.64	8.04	6.72	6.71	8.11
20 yrs	6.64	6.62	8.13	6.63	6.61	8.14	6.71	6.70	8.12
Irred.†	6.70	6.69	8.16						

	Inflation 5% Sep 23	Sep 22	Yr. ago	Inflation 10% Sep 23	Sep 22	Yr. ago
Up to 5 yrs	3.47	3.47	2.86	2.75	2.75	2.18
Over 5 yrs	3.37	3.37	3.53	3.16	3.16	3.38

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Sep 23	Sep 22	Sep 19	Sep 18	Sep 17	Yr ago	High*	Low*
Govt. Secs. (UK)	93.52	93.65	93.55	93.80	93.13	90.18	99.69	93.31
Fixed interest	130.15	130.35	129.98	129.82	121.91	113.13	130.33	115.52

* for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

● "Tap" stock. xd Ex-dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for January 1997: 154.4 and for August 1997: 158.5.

CURRENCIES AND MONEY

Sterling rises after payments data

MARKETS REPORT

By Richard Adams

Sterling rebounded strongly against the D-Mark yesterday, on the heels of better than expected UK balance of payments figures and news of low German inflation.

Traders said the pound was also supported by comments from Eddie George, the governor of the Bank of England, who said that it was "crucially important" for the UK to follow the European economic consensus, whether or not sterling joins European monetary union (Emu).

The pound rose above DM2.90 during trading in London yesterday, before settling at DM2.895 by the close of trading – a rise of 2.5 pfennigs from the previous day.

The D-Mark was hit by weakness in cost of living readings, which dampened thoughts of an early interest rate increase.

The US dollar rose slightly against the German currency, but the dollar itself was hit as traders bought the Thai and Malaysian currencies on dips.

The Japanese yen also gained against the dollar, up from Y122.1 to Y121.5.

■ The South-east Asian currencies of Thailand, Malaysia and Indonesia – the hardest hit by recent market turmoil – made something of a recovery yesterday, after a weakening in the US dollar.

The recovery was aided by comments from the IMF in Hong Kong that Thailand is rapidly implementing the IMF's reform blueprint, and thatthe Thai baht has probably "overshot" its new equilibrium level. The baht yesterday rose from Bt37.30 to Bt36.9.

The baht's slight recovery also helped the Malaysian ringgit. The ringgit rose sharply yesterday during trading in Asia, as offshore funds sold US dollars to take profits. The ringgit closed at M$3.04 against the dollar, having been around M$3.09 on Monday.

The rise came after Anwar Ibrahim, Malaysia's deputy prime minister, said "market turmoil" had not damaged the real economy. He expects the country to report an increased budget surplus this year and next, following spending cuts.

"We have not encountered any serious problems affecting the real economy. We have not seen, for example . . . the closures of factories, or problems affecting the property sector," he said.

Only the South Korean won failed to make gains from the regional recovery. Yesterday it slipped to new lows against the US dollar, from Won912.55 to Won914.05.

■ Mar'ie Muhammad, the Indonesian finance minister, called for international action to help stabilise the world's currencies.

Mr Mar'ie said he favoured market mechanisms determining currency values, but was concerned with the excessive volatility of many currencies.

"Since excessive volatility of currencies can hinder the world economy, we warmly welcome any regional or global initiatives to stabilise currencies," he said.

"Within a month of having begun to float, the rupiah has now reached a relatively stable exchange rate in the range of Rp2,900 to Rp2,950 [against the US dollar]," Mr Mar'ie said. The fall was a 24 per cent depreciation on the rupiah's level from the start of the year.

Last month Indonesia abolished the rupiah's intervention band, effectively letting the currency float after a series of attacks undermined its value.

■ Russia is to consider lifting some of its exchange rate restrictions if the country receives an increase in foreign investment, Anatoly Chubais, the deputy prime minister said yesterday.

During a seminar in Hong Kong, where he is attending the the annual meetings of the World Bank and the IMF, Mr Chubias said Russia could reconsider its policy of controlling the rouble's exchange rate.

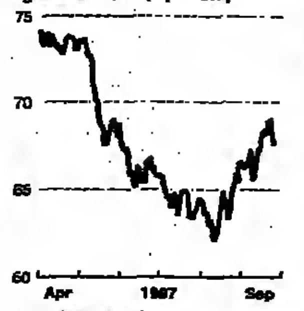
"It is just a problem we are thinking about now. A little bit later it will be officially announced," Mr Chubias said. "I think it is completely realistic that Russia in the coming months will see a sharp improvement in the flow of foreign investment, foreign capital, as in the first half we received three times as much investment as in the same period a year ago."

■ Pound in New York

Sep 23	– Latest –	… Prev. close …
£ spot	1.6120	1.6050
1 mth	1.6100	1.6031
3 mth	1.6056	1.5990
1 yr	1.5890	1.5825

D-Mark

Against the Yen (¥ per DM)



Source: Datastream/ICV

■ OTHER CURRENCIES

Sep 23	£	$
Czech Rp	53.7660 - 53.8672	33.3650 - 33.4050
Hungary	317.354 - 317.534	196.870 - 196.920
Iran	4837.50 - 4836.00	3000.00 - 3000.00
Kuwait	0.4913 - 0.4917	0.3048 - 0.3049
Poland	5.5437 - 5.5535	3.4390 - 3.4440
Russia	9454.38 - 9458.93	5865.00 - 5866.00
U.A.E.	5.9206 - 5.9227	3.6728 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Sep 23		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.3703	+0.1445	636 - 770	20.4045	20.1847	20.3159	3.2	20.2032	3.3	19.6977	3.3	102.2
Belgium	(BFr)	59.7500	+0.4266	085 - 915	59.8830	59.2060	59.57	3.6	59.2	3.7	57.45	3.6	101.6
Denmark	(DKr)	11.0209	+0.0798	175 - 242	11.0440	10.9245	10.9894	3.4	10.9254	3.5	10.6339	3.5	103.7
Finland	(FM)	8.6347	+0.0552	298 - 396	8.6500	8.5650	8.6094	3.5	8.5569	3.6	8.3442	3.4	81.3
France	(FFr)	9.7271	+0.0696	236 - 306	9.7474	9.6400	9.6941	4.1	9.6371	3.7	9.3616	3.6	104.6
Germany	(DM)	2.8946	+0.0206	937 - 954	2.9016	2.8684	2.8853	3.9	2.8662	3.9	2.7793	4.0	102.6
Greece	(Dr)	456.847	+3.216	680 - 015	457.717	452.889	458.63	-4.7	461.254	-3.9	469.622	-2.6	65.0
Ireland	(I£)	1.1024	+0.0041	016 - 033	1.1056	1.0980	1.1018	0.5	1.1005	0.7	1.0897	1.2	98.0
Italy	(L)	2823.45	+18.58	261 - 429	2828.40	2799.78	2823.53	0.0	2823.49	0.0	2826.69	0.1	76.2
Luxembourg	(LFr)	59.7500	+0.4266	085 - 915	59.8830	59.2060	59.57	3.6	59.2	3.7	57.45	3.6	101.6
Netherlands	(Fl)	3.2595	+0.0236	587 - 605	3.2679	3.2305	3.2494	3.8	3.2285	3.6	3.1325	3.9	101.2
Norway	(NKr)	11.7061	+0.0830	018 - 109	11.7434	11.6178	11.6736	3.3	11.6126	3.2	11.3436	3.1	98.7
Portugal	(Es)	294.171	+1.982	045 - 297	294.744	291.511	294.015	0.6	293.485	0.9	289.307	1.6	92.0
Spain	(Pta)	244.224	+1.729	105 - 342	244.670	241.650	243.809	1.5	243.158	1.7	238.769	2.2	76.8
Sweden	(SKr)	12.3076	+0.0036	005 - 147	12.3386	12.2742	12.2801	2.7	12.2216	2.8	11.9651	2.8	87.5
Switzerland	(SFr)	2.3781	+0.0168	753 - 768	2.3800	2.3583	2.3682	5.5	2.3426	5.6	2.2424	5.6	106.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	101.4
Ecu	-	1.4740	+0.0097	734 - 746	1.4768	1.4615	1.4707	2.7	1.4635	2.8	1.4265	3.0	-
SDR†	-	1.18391	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6120	+0.0099	117 - 122	1.6134	1.6031	-	-	-	-	-	-	-
Brazil	(R$)	1.7663	+0.0108	648 - 657	1.7687	1.7552	-	-	-	-	-	-	-
Canada	(C$)	2.2391	+0.0139	383 - 398	2.2411	2.2263	2.2323	3.7	2.2186	3.7	2.1677	3.2	84.6
Mexico	(New Peso)	12.5264	+0.1344	204 - 324	12.5475	12.4504	-	-	-	-	-	-	-
USA	($)	1.6123	+0.0084	120 - 125	1.6137	1.6034	1.6103	1.5	1.6061	1.5	1.59	1.4	106.0
Pacific/Middle East/Africa													
Australia	(A$)	2.2388	+0.0121	376 - 399	2.2406	2.2251	2.2351	2.0	2.2263	2.2	2.1698	2.2	91.4
Hong Kong	(HK$)	12.4821	+0.0732	790 - 848	12.4920	12.4135	12.4811	0.1	12.4747	0.2	12.4196	0.5	-
India	(Rs)	58.5408	+0.2914	895 - 921	58.5930	58.2730	58.736	-4.0	59.1365	-4.1	60.8163	-3.9	-
Israel	(Shk)	5.6557	+0.0317	478 - 655	5.6656	5.6469	-	-	-	-	-	-	-
Japan	(Y)	195.888	+1.118	777 - 999	196.770	194.830	194.868	6.2	192.643	6.2	183.858	6.1	127.0
Malaysia	(M$)	4.9101	-0.0549	053 - 149	5.0012	4.8757	4.8143	-1.0	4.8223	-1.0	4.941	-0.6	-
New Zealand	(NZ$)	2.5328	+0.0091	314 - 342	2.5390	2.5245	2.536	-1.5	2.5386	-1.1	2.5404	-0.3	108.0
Philippines	(Peso)	54.1717	-0.1739	214 - 219	54.5150	53.7302	54.3305	-3.5	54.581	-3.0	54.808	-2.7	-
Saudi Arabia	(SR)	6.0468	+0.0349	458 - 478	6.0522	6.0139	6.0438	0.7	6.0349	0.8	5.9984	0.8	-
Singapore	(S$)	2.4397	+0.0112	385 - 408	2.4549	2.4280	2.4351	2.3	2.425	2.4	2.3768	2.6	-
South Africa	(R)	7.5736	+0.0358	700 - 771	7.5851	7.5484	7.6343	-8.6	7.7522	-8.4	8.1881	-8.1	-
South Korea	(Won)	1473.68	+10.95	337 - 399	1474.00	1462.94	-	-	-	-	-	-	-
Taiwan	(T$)	46.1128	+0.2899	048 - 207	46.1215	45.8601	46.0962	0.4	46.0564	0.5	45.8588	0.6	-
Thailand	(Bt)	59.4821	-0.2961	022 - 819	59.5830	56.4080	59.8287	-6.8	60.2903	-5.4	61.3205	-3.1	-

† Rates for Sep 22. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.6347	+0.0164	325 - 369	12.6630	12.5622	12.6107	2.3	12.5617	2.3	12.3377	2.4	102.0
Belgium	(BFr)	37.0600	+0.05	400 - 800	37.1780	36.8410	36.985	2.4	36.8335	2.4	36.14	2.5	101.8
Denmark	(DKr)	6.8357	+0.0089	347 - 367	6.8575	6.7983	6.824	2.1	6.7997	2.1	6.6933	2.1	103.3
Finland	(FM)	5.3557	+0.0032	535 - 579	5.3730	5.3270	5.3441	2.6	5.3205	2.6	5.2267	2.4	80.8
France	(FFr)	6.0333	+0.0083	320 - 345	6.0510	5.9985	6.0217	2.3	5.9979	2.3	5.8891	2.4	104.4
Germany	(DM)	1.7954	+0.0024	951 - 956	1.8010	1.7854	1.7916	2.8	1.7838	2.6	1.7489	2.6	102.4
Greece	(Dr)	283.360	+0.355	300 - 420	284.310	281.790	284.655	-5.5	286.71	-4.7	293.86	-3.7	64.8
Ireland	(I£)	1.4625	+0.0031	615 - 635	1.4648	1.4548	1.4617	0.6	1.4608	0.5	1.4612	0.1	-
Italy	(L)	1751.25	+1.37	100 - 150	1755.30	1742.50	1753.02	-1.2	1756.03	-1.1	1759.45	-0.5	75.9
Luxembourg	(LFr)	37.0600	+0.05	400 - 800	37.1780	36.8410	36.985	2.4	36.8335	2.4	36.14	2.5	101.8
Netherlands	(Fl)	2.0218	+0.0029	215 - 220	2.0290	2.0104	2.0175	2.5	2.009	2.5	1.9713	2.5	101.2
Norway	(NKr)	7.2606	+0.0193	569 - 626	7.2971	7.2129	7.2463	2.4	7.2179	2.4	7.1082	2.1	97.7
Portugal	(Es)	182.460	-0.11	410 - 510	183.000	181.490	182.424	0.2	182.37	0.2	181.2	0.7	92.6
Spain	(Pta)	151.480	+0.125	430 - 530	151.800	150.500	151.435	0.4	151.26	0.6	150.085	0.9	76.6
Sweden	(SKr)	7.6336	-0.0498	306 - 370	7.6936	7.6237	7.6247	1.4	7.6054	1.5	7.5314	1.3	86.5
Switzerland	(SFr)	1.4738	+0.0031	735 - 740	1.4772	1.4652	1.4685	2.7	1.4626	3.0	1.4123	4.2	106.3
UK	(£)	1.6123	+0.0094	120 - 125	1.6137	1.6034	1.6103	1.5	1.6061	1.5	1.59	1.4	100.5
Ecu	-	1.0938	-0.0009	935 - 941	1.0995	1.0905	1.0953	-1.6	1.0985	-1.7	1.114	-1.8	-
SDR†	-	0.737409	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-0.0003	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0949	+0.0003	948 - 950	1.0951	1.0949	-	-	-	-	-	-	-
Canada	(C$)	1.3888	+0.0005	885 - 890	1.3895	1.3879	1.3857	2.7	1.38	2.5	1.3594	2.1	84.7
Mexico	(New Peso)	7.7695	+0.0385	670 - 720	7.7730	7.7650	7.878	-16.8	8.089	-16.4	8.9995	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	107.0
Pacific/Middle East/Africa													
Australia	(A$)	1.3886	-0.0006	881 - 891	1.3852	1.3880	1.388	0.5	1.3862	0.7	1.3778	0.8	92.9
Hong Kong	(HK$)	7.7420	+0.0005	415 - 425	7.7430	7.7410	7.7425	-0.1	7.7434	-0.1	7.7457	0.0	-
India	(Rs)	36.3100	-0.03	900 - 300	36.3470	36.2900	36.4475	-4.5	36.7325	-4.7	37.945	-4.5	-
Israel	(Shk)	3.5086	-0.0007	035 - 135	3.5140	3.5030	-	-	-	-	-	-	-
Japan	(Y)	121.500	+0.635	450 - 550	122.180	121.250	120.985	5.1	119.985	5.0	115.685	4.8	127.8
Malaysia	(M$)	3.0455	-0.052	430 - 480	3.1170	3.0350	3.05	-1.8	3.059	-1.8	3.089	-1.4	-
New Zealand	(NZ$)	1.5710	-0.0034	704 - 716	1.5745	1.5702	1.5718	-0.6	1.5742	-0.8	1.5843	-0.8	-
Philippines	(Peso)	33.6000	+0.265	000 - 500	34.0000	33.3000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	505 - 506	3.7506	3.7504	3.7513	-0.2	3.7523	-0.2	3.7589	-0.2	-
Singapore	(S$)	1.5132	-0.0158	127 - 137	1.5300	1.5105	1.5115	1.4	1.5077	1.5	1.4882	1.7	-
South Africa	(R)	4.6975	-0.005	960 - 990	4.7080	4.6930	4.738	-10.3	4.8175	-10.2	5.12	-9.0	-
South Korea	(Won)	914.050	+1.5	000 - 103	914.600	912.400	-	-	-	-	-	-	-
Taiwan	(T$)	28.6015	+0.0015	010 - 020	28.6030	28.6000	28.6125	-0.5	28.6215	-0.3	28.714	-0.4	-
Thailand	(Bt)	36.9000	+0.4	500 - 500	37.2000	35.1000	37.345	-14.5	38.05	-12.5	39.28	-6.4	-

† SDR rate per $ for Sep 22. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 22: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

September 23	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 17/32	3 5/8	3 21/32	3 11/16	3 7/8	6.00	2.50	-
France	3 5/16	3 11/32	3 7/16	3 17/32	3 23/32	3.10	-	4.75
Germany	3 7/32	3 5/16	3 3/8	3 15/32	3 23/32	4.50	2.50	3.00
Ireland	6 5/16	6 3/8	6 7/16	5 7/8	5 7/8	-	-	6.75
Italy	6 25/32	6 23/32	6 1/4	6 1/8	5 25/32	7.75	6.25	6.02
Netherlands	3 1/8	3 1/4	3 3/8	3 1/2	3 5/8	-	2.50	3.00
Switzerland	1 3/8	1 5/16	1 11/32	1 5/16	1 9/16	-	1.00	-
US	5 9/16	5 21/32	5 5/8	5 23/32	5 7/8	-	5.00	-
Japan	½	15/32	½	½	15/32	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 21/32	5 23/32	5 25/32	5 29/32	-	-	-
US Dollar CDs	-	5.41	5.47	5.54	5.68	-	-	-
ECU Linked Ds	-	4 1/16	4 3/16	4 3/8	4 7/32	-	-	-
SDR Linked Ds	-	3 5/8	3 23/32	3 3/4	3 7/8	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 23	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3½ - 3⅜	3 17/32 - 3 7/16	3 19/32 - 3 15/32	3 11/16 - 3 9/16	3 25/32 - 3⅝	3 15/16 - 3 13/16
Danish Krone	3 15/32 - 3⅜	3 11/16 - 3½	3⅝ - 3½	3 11/16 - 3 9/16	3⅞ - 3 23/32	4 3/16 - 4 1/16
German Mark	3⅛ - 3 1/32	3⅜ - 3 3/16	3 7/32 - 2 31/32	3 11/32 - 3 7/32	3 15/32 - 3 11/32	3¾ - 3⅝
Dutch Guilder	2 13/16 - 2 11/16	3¼ - 3⅛	3 7/32 - 3 3/32	3 13/32 - 3⅛	3 15/32 - 3 13/32	3 13/16 - 3 11/16
French Franc	3 3/16 - 3⅛	3 7/32 - 3 3/32	3 13/32 - 3 5/16	3 7/16 - 3 11/32	3 15/32 - 3 7/16	3¾ - 3⅝
Portuguese Esc.	5½ - 5 7/16	5½ - 5 7/16	5 13/32 - 5⅜	5 9/32 - 5¼	5 7/32 - 5 3/16	5 1/16 - 5
Spanish Peseta	5 11/32 - 5 7/32	5 5/16 - 5 3/16	5 9/32 - 5 7/32	5⅛ - 5 3/32	5 1/32 - 5	4 29/32 - 4 13/16
Sterling	7⅛ - 6⅞	7 1/16 - 6 15/16	7⅛ - 7 1/16	7¼ - 7 3/16	7 13/32 - 7 5/16	7 13/16 - 7 13/16
Swiss Franc	1½ - 1	1¾ - 1⅝	1½ - 1⅜	1 15/32 - 1 11/32	1 9/16 - 1 7/16	1 25/32 - 1 23/32
Canadian Dollar	3 5/16 - 3 3/16	3 7/16 - 3¼	3½ - 3 13/32	3 11/16 - 3 7/16	3 29/32 - 3 23/32	4⅜ - 4½
US Dollar	5½ - 5⅜	5 21/32 - 5 7/16	5⅝ - 5 7/16	5⅝ - 5 7/16	5¾ - 5⅝	5 15/16 - 5 13/16
Italian Lira	7 - 6½	6 15/16 - 6 13/16	6½ - 6 13/32	6 11/16 - 6 1/16	6⅛ - 6 1/32	5 11/16 - 5 19/32
Japanese Yen	17/32 - ½	19/32 - 15/32	17/32 - 7/16	9/16 - 15/32	17/32 - 7/16	19/32 - 15/32
Asian $Sing	2¼ - 2⅛	3⅝ - 3½	3 13/32 - 3 13/32	4⅛ - 4	4⅛ - 4	4 3/16 - 4 1/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.37	96.40	+0.03	96.41	96.40	23,744	36,973
Mar	96.13	96.17	+0.05	96.16	96.17	19,908	33,266
Jun	95.92	95.95	+0.03	95.96	95.95	11,006	27,372

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.40	96.44	+0.04	96.46	96.40	48568	292153
Mar	96.16	96.21	+0.04	96.23	96.17	45700	287206
Jun	95.94	95.98	+0.04	96.01	95.94	54063	244396
Sep	95.76	95.79	+0.04	95.81	95.75	25501	176396

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Oct		96.75	+0.03			0	265
Nov		96.66	+0.02			0	60
Dec		96.43	+0.03			0	730
Jan		96.52	+0.04			0	50

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.10	94.03	-0.05	94.11	94.00	19068	97924
Mar	94.84	94.72	-0.10	94.86	94.71	29686	86707
Jun	95.11	95.06	-0.04	95.16	95.05	23624	71129
Sep	95.17	95.12	-0.03	95.17	95.09	12976	51280

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.24	98.24	-	98.25	98.21	7609	74738
Mar	98.02	98.04	+0.01	98.04	98.00	3789	37700
Jun	97.78	97.78	+0.01	97.80	97.78	3369	19454
Sep	97.58	97.60	+0.01	97.58	97.57	14	11358

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		99.43	-			0	na
Mar	99.40	99.40	-0.01	99.40	99.40	160	na
Jun		99.34	-0.01			0	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.55	95.56	+0.03	95.58	95.54	744	11891
Mar	95.49	95.50	+0.03	95.50	95.48	355	8375
Jun	95.42	95.43	+0.03	95.45	95.42	601	3712
Sep	95.37	95.38	+0.03	95.38	95.38	70	4378

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9400	0.17	0.78	1.11	0.14	0.06	0.05
9425	0.07	0.57	0.89	0.29	0.10	0.08
9450	0.02	0.39	0.69	0.49	0.17	0.13

Est. vol. total, Calls 12865 Puts 4168. Previous day's open int., Calls 142449 Puts 54585

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 23		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.28	4.845	1.845	4725	5.455	18.59	492.3	408.7	20.60	3.977	1.674	3.747	2.698	327.8	2.467
Denmark	(DKr)	54.22	10	8.826	2.627	1.000	2562	2.958	10.62	266.9	221.6	11.17	2.156	0.907	2.032	1.463	177.7	1.337
France	(FFr)	61.43	11.33	10	2.976	1.133	2903	3.351	12.03	302.4	251.1	12.65	2.443	1.028	2.302	1.657	201.4	1.515
Germany	(DM)	20.64	3.807	3.360	1	0.381	975.4	1.126	4.044	101.6	84.37	4.252	0.821	0.345	0.774	0.557	67.67	0.509
Ireland	(I£)	54.20	9.997	8.824	2.626	1	2561	2.957	10.62	266.8	221.5	11.16	2.155	0.907	2.031	1.463	177.7	1.337
Italy	(L)	2.118	0.390	0.345	0.103	0.039	100	0.115	0.415	10.42	8.650	0.436	0.084	0.035	0.079	0.057	6.936	0.052
Netherlands	(Fl)	18.33	3.381	2.984	0.888	0.338	866.2	1	3.591	90.25	74.92	3.776	0.729	0.307	0.687	0.495	60.09	0.452
Norway	(NKr)	51.04	8.415	8.309	2.473	0.942	2412	2.785	10	251.3	208.6	10.51	2.000	0.854	1.913	1.377	167.3	1.259
Portugal	(Es)	20.31	3.746	3.307	0.984	0.375	959.8	1.108	3.979	100	83.02	4.184	0.808	0.340	0.761	0.548	66.59	0.501
Spain	(Pta)	24.47	4.513	3.983	1.185	0.451	1156	1.335	4.793	120.5	100	5.039	0.973	0.409	0.817	0.660	80.21	0.604
Sweden	(SKr)	48.55	8.955	7.903	2.352	0.896	2294	2.648	9.511	239.0	198.4	10	1.931	0.812	1.619	1.310	159.2	1.198
Switzerland	(SFr)	25.15	4.638	4.094	1.218	0.464	1188	1.372	4.927	123.8	102.8	5.180	1	0.421	0.942	0.679	82.44	0.620
UK	(£)	59.75	11.02	9.727	2.895	1.102	2824	3.260	11.71	294.2	244.2	12.31	2.376	1	2.239	1.612	195.9	1.474
Canada	(C$)	26.68	4.922	4.344	1.293	0.492	1261	1.456	5.228	131.4	109.1	5.497	1.061	0.447	1	0.720	87.49	0.658
USA	($)	37.06	6.836	6.033	1.795	0.684	1751	2.022	7.261	182.5	151.5	7.634	1.474	0.620	1.389	1	121.5	0.914
Japan	(Y)	30.50	5.626	4.966	1.478	0.563	1441	1.664	5.976	150.2	124.7	6.283	1.213	0.510	1.143	0.823	100	0.752
Ecu	-	40.54	7.477	6.599	1.964	0.748	1916	2.211	7.942	199.6	165.7	8.350	1.612	0.678	1.519	1.094	132.9	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.5612	0.5594	+0.0020	0.5634	0.5580	31,367	58,280
Mar	0.5616	0.5616	-0.0027	0.5621	0.5613	34	2,282
Jun	-	0.5714	-	-	0.5650	36	2,513

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8315	0.8335	+0.0035	0.8338	0.8280	19,432	76,225
Mar	0.8420	0.8396	-0.0015	0.8420	0.8396	56	779
Jun	-	0.8600	-	-	-	112	165

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6865	0.6844	-0.0022	0.6880	0.6833	13,462	37,975
Mar	0.6926	0.6915	-0.0020	0.6926	0.6915	27	1,212
Jun	-	0.7000	-	-	0.6990	16	175

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5984	1.6052	+0.0068	1.6076	1.5974	3,980	28,485
Mar	-	1.6000	+0.0080	1.6020	1.6000	12	236
Jun	-	1.5940	+0.0080	1.5940	-	52	27

UK INTEREST RATES

LONDON MONEY RATES

Sep 23	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7⅛ - 6½	7¼ - 7	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps.	7 - 6⅞	[illegible]	-	-	-	-

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4½

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on Sep 19, 6.8713pc. ECGD fixed rate Stlg. Export Finance. Make up day Aug 29, 1997. Agreed rate for period Sep 24, 1997 to Oct 25, 1997, Scheme III 8.50pc. Reference rate for period Aug 1, 1997 to Aug 29, 1997, Scheme IV & V 7.229pc. Finance House Base Rate 7½pc from Sep 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.58	92.56	-0.02	92.59	92.56	15948	134046
Mar	92.59	92.56	-0.03	92.59	92.55	19848	105587
Jun	92.69	92.64	-0.05	92.69	92.64	19891	90089
Sep	92.82	92.76	-0.06	92.82	92.75	10233	67067
Dec	92.97	92.90	-0.07	92.97	92.89	7628	58805

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9250	0.13	0.20	0.33	0.07	0.14	0.18
9275	0.03	0.08	0.19	0.22	0.27	0.30
9300	0.01	0.03	0.10	0.45	0.47	0.46

Est. vol. total, Calls 2971 Puts 5029. Previous day's open int., Calls 175611 Puts 188155

BASE LENDING RATES

	%		%		%
Adam & Company	7.00	Duncan Lawrie	7.00	Scottish Widows Bank	7.00
Allied Irish Bank (GB)	7.00	Exeter Bank Limited	8.00	●Singer & Friedlander	7.00
●Henry Ansbacher	7.00	Financial & Gen Bank	8.00	●Smith & Williamson Secs	7.00
Bank of Baroda	7.00	●Robert Fleming & Co	7.00	Sun Banking Corp Ltd	7.00
Banco Bilbao Vizcaya	7.00	Girobank	7.00	TSB	7.00
Bank of Cyprus	7.00	●Guinness Mahon	7.00	United Bank of Kuwait	7.00
Bank of Ireland	7.00	Habib Bank AG Zurich	7.00	Unity Trust Bank Plc	7.00
Bank of India	7.00	●Hambros Bank	7.00	Whiteaway Laidlaw	7.00
Bank of Scotland	7.00	Heritable & Gen Inv Bk	7.00	Yorkshire Bank	7.00
Barclays Bank	7.00	●C. Hoare & Co	7.00		
Brit Bk of Mid East	7.00	Hongkong & Shanghai	7.00		
●Brown Shipley & Co Ltd	7.00	Investec Bank (UK) Ltd	7.00	● Members of London Investment Banking Association	
Citibank NA	7.00	Julian Hodge Bank	7.00		
Clydesdale Bank	7.00	●Leopold Joseph & Sons	7.00	* In administration	
The Co-operative Bank	7.00	Lloyds Bank	7.00		
Coutts & Co	7.00	Midland Bank	7.00		
Cyprus Popular Bank	7.00	NatWestminster	7.00		
		●Rea Brothers	7.00		
		Royal Bk of Scotland	7.00		

EMS EUROPEAN CURRENCY UNIT RATES

Sep 23	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.752109	+0.002104	-5.83	8.85	39
Finland	5.85424	5.88109	-0.06856	0.46	2.09	-3
Italy	1906.48	1920.61	-0.56	0.74	1.75	-5
Portugal	197.398	200.216	+0.131	1.43	1.06	-10
Spain	165.524	168.159	+0.103	1.42	1.06	-10
Denmark	7.34555	7.50054	+0.00341	2.11	0.38	-14
Netherlands	2.16979	2.21818	+0.00092	2.23	0.27	-17
Germany	1.92573	1.97002	+0.00068	2.30	0.20	-23
Austria	13.5485	13.8651	-0.0004	2.33	0.17	-17
Belgium	39.7191	40.6586	+0.0217	2.37	0.13	-17
France	6.45863	6.60023	+0.00629	2.50	0.00	-21
NON ERM MEMBERS						
Greece	295.269	311.122	+0.33	5.37	-2.72	-
UK	0.793103	0.682519	-0.003635	-13.94	18.11	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92 Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
1.600	1.48	2.39	2.76	1.17	2.21	2.88
1.610	1.01	1.84	2.36	1.71	2.82	3.44
1.620	0.66	1.36	1.96	2.36	3.43	4.03

Previous day's vol., Calls - Puts - . Prev. day's open int., Calls 22,554 Puts 22,734

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
0.560	0.48	0.89	1.16	0.81	0.92	1.09
0.565	0.30	0.69	0.93	0.89	1.19	1.38
0.570	0.19	0.52	0.74	1.30	1.52	1.68

Previous day's vol., Calls 373 Puts 1,760. Prev. day's open int., Calls 8,801 Puts 26,922

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.16	94.16	+0.03	94.20	94.16	34,199	586,908
Mar	94.12	94.14	-	94.14	94.11	27,900	394,160
Jun	94.04	94.05	-0.09	94.06	94.04	17,514	305,568

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.97	94.97	-	94.97	94.97	36	4,829
Mar	94.95	94.96	-	94.96	-	150	2,439

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
9600	0.44	0.44	0.45	0.29	0	0.01	0.01	0.08
9625	0.20	0.21	0.23	0.14	0.01	0.02	0.04	0.18
9650	0.03	0.05	0.06	0.05	0.09	0.11	0.12	0.33
9675	0.01	0.01	0.01	0.02	0.32	0.32	0.32	0.55
9700	0	0	0	0	0.56	0.56	0.56	0.79

Est. vol. total, Calls 7848 Puts 7058. Previous day's open int., Calls 241140 Puts 214642

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9825	0.16	0.18	0.17	0.18	0.39	0.63
9850	0.05	0.08	0.10	0.30	0.53	0.80

Est. vol. total, Calls 25 Puts 0. Previous day's open int., Calls 2950 Puts 2013

COMMODITIES AND AGRICULTURE

Traders see fresh squeeze in aluminium

MARKETS REPORT

By Kenneth Gooding and Alison Maitland

A fresh squeeze is building in the London Metal Exchange's aluminium market, and is likely to reach a peak in November, traders and analysts suggest.

This week has seen a premium for aluminium for immediate delivery, compared with three-month metal, for the first time since a technical squeeze in late August caused this premium to widen to $120 a tonne and led the LME board to intervene.

This intervention continues to limit the cost of rolling forward a short position for one day to $5 a tonne. "This should prevent tightness becoming as acute as in late August," said Jim Lennon, analyst at Macquarie Bank. "However, with further short covering still expected as the November date approaches, we expect to see aluminium prices climbing further."

He said aluminium bears had pointed to recently announced restarts of idle smelting capacity by Norway's Hydro Aluminium, Alcan of Canada and Pechiney of France. "But we still remain optimistic about the outlook for next year. Production cuts have been maintained far longer than expected and our latest review has seen us cut our production forecasts rather than raise them."

Larry Kaplan, analyst at Flemings Global Mining Group, said the market might be realising that smelter restarts will provide no more than 15,000 tonnes of additional aluminium this year. He pointed to International Primary Aluminium Institute data showing August daily smelter output rates were 52,900 tonnes, some 100 tonnes a day below the July rate.

Alan Williamson, at Deutsche Morgan Grenfell, said the underlying fundamentals of the aluminium market were "much healthier than at any time in the last few years".

In the year to August, western world aluminium consumption, according to the CRU International consultancy, was 7.1 per cent ahead year-on-year, "boosted by increased penetration of aluminium in cars, good demand from the construction sector and better than expected levels of can sheet demand", Mr Williamson said.

Meanwhile, the zinc squeeze on the LME intensified yesterday, with the premium for zinc for immediate delivery, compared with three-month metal, increasing from $240 to $250 a tonne by the close of trading. The cost of rolling forward a short position for one day was $12 to $14 a tonne.

Cocoa futures ended unchanged in London after a slight pick-up in New York helped Liffe contracts recover from earlier losses. The December contract was £1,119 a tonne on Liffe, and on the CSCE in New York it was up $12 to $1,655 a tonne in afternoon trading on speculative buying.

Coffee closed a little weaker in both London and New York, with trading thin because of uncertainty over the impact of El Niño. The November contract was off $13 at $1,525 a tonne on the CSCE.

Buying at lower prices briefly lifted sugar futures on Liffe, but the December contract fell back to close $3.20 down at $308 a tonne.

COMMODITIES NEWS DIGEST

Cheddar cheese deals from CME

The Chicago Mercantile Exchange, one of the two big Chicago futures exchanges, will launch its new cheddar cheese futures and options on October 3. The cash-settled contracts, approved by the Commodity Futures Trading Commission this month, will compete with existing cheese futures contracts traded on New York's Coffee, Sugar and Cocoa Exchange.

The CME contracts are based on the value of 40,000 pounds of cheese, and the reference price on 40-pound blocks of cheddar cheese calculated by the US Department of Agriculture. The CME says total US cheese production is worth around $10bn, with cheddar accounting for about $3bn. The exchange, which began life in the 19th century as the Chicago Butter and Egg Board, launched a weekly cash cheese market in May.

The CME's increasing involvement in dairy products – it has also brought on milk and butter products – comes amid deregulation in the US dairy sector.

Nikki Tait, Chicago

■ VENEZUELAN OIL

Perez Companc group licensed

After two failed offers from Venezuelan investors, a consortium led by Perez Companc, the Argentine oil company, this week obtained the operating licence to an oil field in eastern Venezuela.

The all-Venezuelan consortium that initially won the rights to operate the Mata oil field in mid-August, a joint-venture between Pivensa, the industrial parts manufacturer, and Consultores CSC, "chose not to sign the operating agreement", the state oil company Corpoven said.

Perez Companc and local partner, Jantesa, an oil-related service provider, had the second-highest bid for the field at $111m, nearly $14m less than the Pivensa/Consultores CSC consortium. Analysts say the Mata oil field harbours more than the 142m barrels of oil, as estimated by Corpoven.

Ray Colitt, Caracas

■ PESTICIDES

Five added to watch list

Five extremely dangerous organophosphate pesticides have been added to an international watch list so trade in them can be better monitored. The pesticides endanger farmers and agricultural workers, particularly in developing countries where protective equipment is too expensive or cannot be used because of the climate, said the UN Food and Agriculture Organisation and the UN Environment Programme.

In China in 1995, for example, 3,204 deaths and more than 45,000 poisonings were reported following exposure to organophosphates. Highly concentrated formulations of the five pesticides – methamidophos, methyl parathion, monocrotophos, parathion, and phosphamidon – join 22 other pesticides and industrial chemicals subject to the Prior Informed Consent Procedure. This voluntary system, which the UN bodies are trying to make legally binding, states that the dangerous substances should not be exported without the agreement of the importing country. More than 150 countries participate.

Alison Maitland

Pepper exchange set for launch

By Kunal Bose in Calcutta

India's new international pepper futures exchange will start trading on October 6.

The launch was originally scheduled for last October. However, it was postponed as the infrastructure was not in place and the Reserve Bank of India, the central bank, took a year to give approval to banks to subscribe to the equity capital of the exchange.

Trading will start with an open outcry system but will later move to screens, said a spokesman for the Indian Pepper and Spice Trade Association, which will run the exchange at Kochi, in the south Indian state of Kerala. Screen-based trading trials were conducted in July.

"The world trade in pepper is at a crossroads, with almost all major producing countries reporting a fall in the crop," the IPSTA said.

"A shortfall in production and strong enquiries from the major importing countries, particularly the US, have sent pepper prices up by 35 per cent since June," it added.

"The market has become highly volatile and we think that the functioning of the exchange will lend stability to trading, which will work to the advantage of the growers."

The pepper exchange will be India's first international commodities exchange and will have 52 members.

"All producing countries are highly supportive of the exchange," the IPSTA said. "So are the major trading houses dealing in spices."

Unlike the domestic peppers futures exchange in India – which remains open for eight months a year, coinciding with the crop arrival – the international exchange will operate round the year.

The annual world trade in pepper is around 150,000 tonnes while the crop is more than 180,000 tonnes.

Trade officials said India – the world's largest pepper producer, accounting for nearly one-third of world production – would have a lower crop of 55,000 tonnes in the current season ending October, compared with 62,000 tonnes in 1995-96.

The fall in production in India, Indonesia and Brazil will keep prices high until at least January, when the new crop starts to arrive.

Car battery failures lift lead

By Kenneth Gooding, Mining Correspondent

The hot summer in parts of Europe and North America resulted in a relatively high level of car battery failures, which is driving up both demand for replacement batteries and the price of lead on the London Metal Exchange.

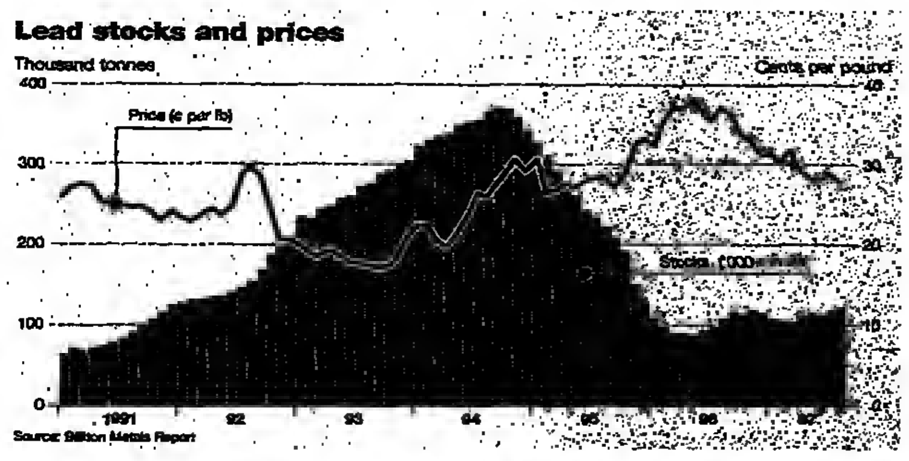
Nearly 70 per cent of demand for lead comes from battery producers, and LME stocks of lead are low and equivalent to only five weeks of consumption.

Nevertheless, while analysts expect some recovery in prices towards the end of this year, they suggest there will be no return to the peaks reached during the ferocious technical squeeze on the LME in 1996.

"Lead will not return to the heady days of early 1996. Prices are gradually coasting down and will continue to do so in today's values until 2000," says Ame Mineral Economics, the Australian consultancy.

"Total stocks are tight, but moderate smelter utilisation rates in both primary and secondary production sectors will keep a lid on prices until 2000," the consultancy suggests in its latest study: Lead & Zinc 1997/98 – Galvanised Future.

Lead stocks and prices



Source: Billiton Metals Report

Analysts at Billiton Metals, part of the mining and metals group, agree.

"It won't take long for the impact of a pick-up in demand to be felt, given that total reported stocks currently stand below five weeks' worth of consumption. Thus, there is certainly some scope for lead prices to improve in the latter part of the year as the market tightens.

"This tightness should carry over to the early months of next year, thereby continuing to support prices. Nevertheless, as 1998 progresses we expect supplies to start to overtake demand. The move into surplus – albeit a small one next year – should bring pressure to bear on prices amid concern that this will herald a more substantial surplus the following year," the Billiton analysts add in their latest Metals Weekly.

Billiton is forecasting lead's average LME cash price will fall from 35.1 cents a pound ($773.60 a tonne) in 1996 to 30 cents ($661 a tonne) this year and to 29 cents ($639 a tonne) in 1998.

Ame, meanwhile, expects lead to close 1997 at an average of $647 a tonne (29 cents a pound) and sees the price drifting down to $620 a tonne (28 cents a pound) in 2000 before rising about 7 per cent above 1997 levels to $690 (31 cents) by 2005.

It says demand fundamentals for the metal are sound. The average age of the car fleet in developed countries is increasing, which should stimulate more demand for replacement batteries, while the outlook for industrial batteries (accounting for 30 per cent of the battery market) is buoyant.

Ame points to the importance of recycling in lead production. Some 56 per cent of western world lead was produced from secondary plants last year, up from 54 per cent in 1995, and "the general favouring of secondary supply will continue".

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1654-66	1659-60
Previous	1654-55	1652-3
High/low		1660/1653
AM Official	1652-3	1654.5-5.5
Kerb close		1654-55
Open int.	n/a	
Total daily turnover	n/a	

■ ALUMINIUM ALLOY ($ per tonne)

■ LEAD ($ per tonne)

■ NICKEL ($ per tonne)

■ TIN ($ per tonne)

■ ZINC, special high grade ($ per tonne)

■ COPPER, grade A ($ per tonne)

■ LME AM Official £/$ rate: 1.6077

LME Closing £/$ rate: 1.6130

■ HIGH GRADE COPPER (COMEX)

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	322.2	+1.0	-	-	-	-
Oct	322.6	+1.0	322.7	321.2	693	7,601
Dec	324.2	+1.1	324.4	322.6	9,596	117k

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	85.25	-	-	-	-	5
Nov	85.10	-1.15	86.00	85.10	335	3,187
Jan	87.10	-1.10	87.50	87.00	232	3,134

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LIFFE (100 tonnes; £ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LIFFE (20 tonnes; £ per tonne)

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

PULP AND PAPER

■ PULPEX OMLX (SE; 24 air dry tons)

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1081	-8	-	-	-	92
Dec	1119	-	1124	1112	1,363	50,892
Mar	1139	-	1146	1135	881	48,227

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LIFFE (5 tonnes; $/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

FUTURES DATA

All futures data supplied by CMS.

Minor metals

European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed).

INDICES

■ Reuters (Base: 18/9/31 = 100)

■ CRB Futures (Base: 1967 = 100)

■ GSCI Spot (Base: 1970 = 100)

LME WAREHOUSE STOCKS (tonnes)

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	67.950	-0.350	68.425	67.625	4,024	28,995
Dec	68.675	-0.150	68.900	68.250	4,877	33,952
Feb	71.200	-0.275	71.475	70.850	1,310	15,825

■ LEAN HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lb)

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

■ COPPER (Grade A) LME

■ COFFEE LIFFE

■ COCOA LIFFE

■ BRENT CRUDE IPE

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

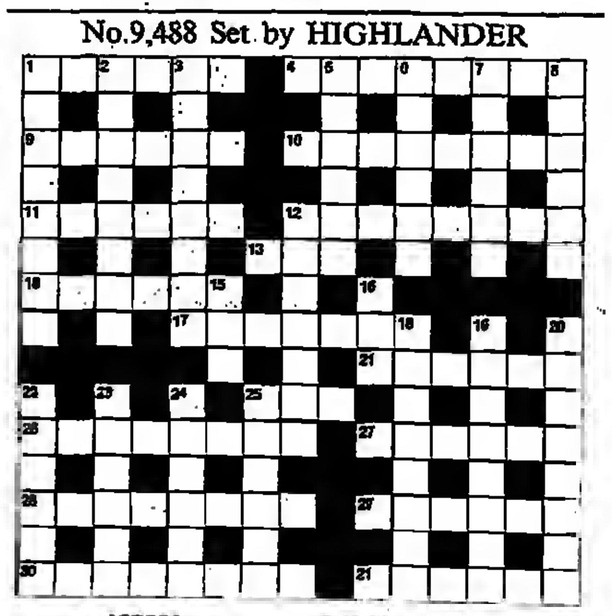
■ NATURAL GAS (Pence/therm)

■ OTHER

JOTTER PAD

CROSSWORD

No.9,488 Set by HIGHLANDER



ACROSS

1 Afghan article is on the way (6)
4 Companion of bloke Nero upset (8)
9 Bowler in the deep – and the French version? (6)
10 Breaking up? Excellent! (8)
11 Very long cold spell damaged cage that's outside (3,3)
12 Tall thin guy, American head man in Central Europe (8)
13 Fighting back bitter cold (3)
14 There, oddly, love means being interested in opposite sex (6)
17 Realised Dick later would be making pudding (7)
21 By the sound of it an obligation to attack long speech (6)
25 Dry whisky from one's lips (3)
26 Opening means following plan (8)
27 Sergeant-major has soldiers crawling (6)
28 Worth changing order before cricket side lose (5,3)
29 Reliable regular partner (6)
30 Clark Kent types smashing pieces (8)
31 Day with close companion (6)

DOWN

1 Previous chapter put in that's combining stylistically mixed art (8)
2 Send up tray containing underwear (8)
3 Engraves letters for types wanting their own back (8)
5 Hold up food container with meat for every Roman (6)
6 Work over with Carol, modelling (6)
7 Horn is originally from these thick-skinned beasts (6)
8 Put heater up then fetch small chunk of precious metal (6)
12 Artillery club prior to end of century (7)
15 Choose old keep-fit routine (3)
16 Those of us having it shortened for rainy weather (3)
18 Damsel lifted broken tree in show thickness (8)
19 Coach bearing freight (8)
20 Naive decimal system of classification looked at by speaker (4-4)
22 London club's cricket gear (6)
23 Instigate having prison at higher level (4,2)
24 Exhibitor's washing stall (8)
25 Blather away very loudly in Wales, endlessly (6)

Solution 9,487

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Aetna Master Fund (u) (x)						
21 avenue de la Liberte, L-1931, Lux 00 352 2954 341						
Australasian NAV			A$18.63		+0.09	-
Austrian Nat NAV			Sch71.07		+0.46	-
Belgo/Lux NAV			BFr1024.14		+4.18	-
Dutch Nat NAV			Dfl67.34		+0.89	-
French Nat NAV			FFr154.64		+1.58	-
German Nat NAV			DM24.15		+0.23	-
Hongkong Nat NAV			HK$140.53		-0.38	-
Italian Nat NAV			L17023		+556	-
Japanese Nat NAV			Y1183			-
Spanish Nat NAV			Pta1942		+40	-
UK Nat NAV			£12.73		+0.12	-
United States Dlr Res			$11.26		—	-
Prices quoted are "A" shares						
American Phoenix Investment Portfolios (u)						
13 rue Goethe L-1637 Luxembourg 00 352 404646211						

Fleming Group - Contd.

Foreign & Colonial Emerging Markets Ltd (u)

Foreign & Colonial Portfolios Fd Sicav (u)

Frontrunner I (u)

Morgan Stanley Sicav - Contd.

LUXEMBOURG (REGULATED)(**)

Credit Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

Swiss Bank Corporation - Contd.

OFFSHORE INSURANCES

هكذا من الأصل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	479½	-2½	492	407½	4,945	5.7	14.3
Bulmer (HP)	[illegible]	410	...	628	385	216.5	4.4	11.4
Burn St Des	[illegible]	[illegible]	...	[illegible]	40½	27.8	9.1	11.6
Glenmorangie A		975	...	1040	755	132.8	[illegible]	24.1
B		1080		1140	970	43.2	0.8	52.4
Grand Met	[illegible]	[illegible]	-5½	631	425½	12,438	3.3	18.9
Guinness	[illegible]	576½	-7½	627	424	10,924	3.4	15.7
Highland	[illegible]	[illegible]	-	380	[illegible]	390.2	3.6	13.7
5¾pc Cnv Bds		88½		101½	85½	43.2	6.5	-
Kirin Y		513	[illegible]	712½	465½	5,388	1.3	-
Matthew Clark	[illegible]	240	...	357½	213	212.4	12.5	7.2
Merrydown	[illegible]	80½	[illegible]	119½	57½	6.99	6.4	14.9
Seagram C$		£22½	[illegible]	£25½	£21¼	6,055	1.3	-

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

Notes	Price	+ or -	52 week high	52 week low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]							

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

PROPERTY - Cont.

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

TELECOMMUNICATIONS

[illegible]

RETAILERS, GENERAL

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

This is a market for young and growing companies, regulated by the London Stock Exchange, but has less demanding rules than the Official List.

AMERICANS

[illegible]

CANADIANS

[illegible]

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's
Toronto-Dom C$		21⅝xd	+⅛	21⅞	12[illegible]	8,375	2.4
Trans Can Pipe C$	♥	12	-⅛	12[illegible]	10⅛	2,606	4.3
Western Star Trucks C$		17[illegible]	-⅛	29[illegible]	14⅞	197.4	-

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£24[illegible]	—	*£27⅞	£20¼	1,904	2.9	◆
Barlow	†	27	-⅞	£8⅞	£5⅞	1,441	2.8	14.9
Gold Flds Prop R	†	140	-⅞	197	122	14.3	8.1	10.9
SA Brews		£23⅞	+5⅞	£23⅞	£13⅞	6,827	1.6	◆
Standard Bank		£27⅞	-⅞	£30	£21	3,254	2.0	◆
Tiger Oats	†	915	-24	1100	790	1,303	2.0	17.7
Tongaat-Hulett		703¼	-4½	799¼	676¼	741.5	2.5	◆

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ◆ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ◆ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield includes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
S Yield based on prospectus or other official estimates for 1998.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

LONDON STOCK EXCHANGE

FTSE 100 retreats from brink of all-time high

MARKET REPORT

By Philip Coggan, Markets Editor

The UK stock market made a brief assault on its all-time peaks yesterday, and then turned tail and fled. Having seen the FTSE 100 index climb to the top of its recent 4,800-5,100 range, it seems clear that investors decided to take profits.

The mood in London was not helped by the international background. European markets were mostly flat to lower and on Wall Street, the Dow Jones Industrial Average, which closed just below 8,000 on Monday, was more than 20 points lower by the end of the London session.

Gilts also shed a little of their recent strength, with the benchmark 10-year issue dropping by around an eighth of a point. And there were further signs of a rebound in sterling, with the pound gaining two pfennigs to DM2.8948 and jumping from 100.8 to 101.4 on the trade-weighted index.

However, the small and medium-sized stocks – the usual suspects to be sold when investors are worried about the pound – outperformed the leaders. The FTSE 250 index gained 2.7 to 4,709.9 while the SmallCap index rose 3.2 to 2,300.

The FTSE 100 index finished 48.2 points lower at 5,021.5, not far off its low for the day, and nearly wiping out all of Monday's gains.

The picture looked quite different at the start of trading when Footsie jumped 19.4 points to 5,095.1, just 0.2 off its all-time intra-day high. The All-Share actually managed a new intra-day peak of 2,389.45.

But Footsie proved incapable of sustaining its early gains. There was talk in the markets of a succession of programme trades. The December future was also volatile, with the contract opening at a large premium to fair value which was eroded by the end.

The day's economic news – a small upward revision to second quarter gross domestic product and a second quarter current account surplus – was not seen as having much effect.

Volume was fairly healthy by recent standards with 811.2m shares traded by the 6pm count, of which 52 per cent was in non-Footsie stocks.

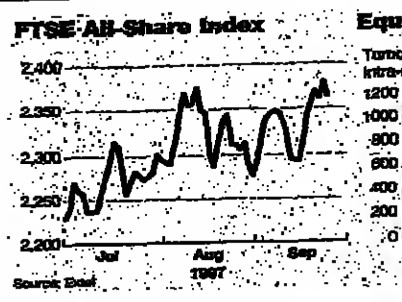
Some analysts are still optimistic that Footsie can break out of its range. Philip Isherwood, UK strategist at Dresdner Kleinwort Benson, said: "The recent rally has been driven by bond markets. You will get a trigger move when it becomes clear that interest rates have peaked. The ratio between earnings yields and short term rates will then look attractive and at that point, there will be little point in holding cash."

The peak in interest rates is near, according to Geoffrey Dicks, UK economist at NatWest Markets.

He thinks that growth is set to slow in 1998 and added: "It is still possible that the MPC (monetary policy committee) will raise rates one more time in November but we are confident that in a year's time interest rates will be falling."

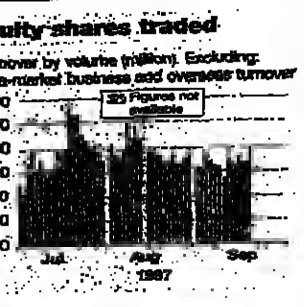
Short sterling futures currently point to interest rates of 7 per cent by end 1998.

FTSE All-Share index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	5027.5	−48.2		FT 30	3254.0	−23.2
FTSE 250	4709.9	+2.7		FTSE Non-Fins p/e	19.99	20.16
FTSE 350	2420.1	−18.5		FTSE 100 Fut Dec	5118.0	−47.0
FTSE All-Share	2364.85	−16.66		10 yr Gilt yield	6.71	6.69
FTSE All-Share yield	3.32	3.29		Long gilt/equity yld ratio	2.02	2.04

Best performing sectors

1 Textiles & Apparel .... +1.1
2 Paper: Pckg .... +0.9
3 Property .... +0.7
4 Gas Distribution .... +0.4
5 Engineering: Veh .... +0.4

Worst performing sectors

1 Oil: Integrated .... −2.4
2 Mineral Extraction .... −2.2
3 Extractive Inds .... −2.0
4 Banks: Retail .... −1.2
5 Breweries: Pubs .... −0.9

Upgrade joy for Lasmo

By Steve Thompson and Martin Brice

On a generally poor day for the oil sector, Lasmo stood out with a strong run, finishing the session 3¾ ahead at 266¼p after two pieces of positive news.

Firstly, Anadarko, Lasmo's partner in its Algerian oil discovery, said it had upgraded its reserves in the oil field from 1.5bn barrels to 2bn barrels, a move that analysts said would lead to an immediate increase in net asset valuations of Lasmo. Analysts' NAVs currently range from 200p to 240p for Lasmo and are expected to be lifted by 4p to 5p.

Secondly, Lasmo increased substantially the acreage adjacent to its Bhitt gas discovery in Pakistan.

Oil specialists said the news added to the bullish feeling surrounding Lasmo shares. "Lasmo is increasingly seen as a quality exploration and production stock with good acreage and a strong drilling programme," one said.

The rest of the oil sector was roughly handled by the market, weakened initially by a poor performance from US oils on Monday, when the stocks fell against a rising market. BP was the worst affected, its shares retreating after some determined selling prompted by a television programme highlighting environmental concerns about BP's drilling activities in Colombia. They closed a net 20½ down at 896p. Shell, meanwhile, slipped 12 to 444½p after heavy trade of 30m shares.

News that Indonesia has cancelled 75 infrastructure projects, including 13 new power plants, because of its economic problems, bore down on PowerGen, which is involved in two of the power plant deals via a 35 per cent owned associate.

PowerGen shares dropped 8 to 771½p on the news with specialists pointing out that although the news is not too severe a blow to the company, it does highlight the risks involved in overseas infrastructure developments.

Among the beneficiaries of MEPC's announcement yesterday that it would give £300m to its shareholders were investors in other property companies.

While MEPC gained 4 to 498½p, British Land rose 10 to 615p to achieve the second-biggest rise in the FTSE 100, and Land Securities was also near the top of the Footsie list with an advance of 10½ to 952½p.

The scramble for the shares was said to be caused by investors needing to keep their weightings in the property sector, which would be affected by MEPC's return of funds to shareholders.

Elsewhere in the property sector, Freeport Leisure, the FTSE Fledgling company that owns and operates outlet shopping and leisure villages in Yorkshire, Lancashire and Scotland, revealed full-year results that increased from £1m to £1.7m. Its shares, which started the year at 91½p, fell 1½ to 167p.

Bank of Scotland outpaced a generally sedate banking sector, the shares moving up 8½ to a record 462½p after ABN Amro Hoare Govett was said to have bought a block of 2.5m shares. Bank of Scotland is scheduled to announce interims on October 1, with the interim dividend expected to come in about 17 per cent higher and profits up around 10 per cent. Turnover expanded to 11m.

Woolwich's poor showing since its entry into the FTSE 100 index on Monday continued, the shares sliding a further 7½ to 308½p.

New product news helped SmithKline Beecham top the FTSE 100 performance table for much of the session, only to lose out as Wall Street came in under pressure.

Earlier in the day, SmithKline had built strongly on Monday's outstanding showing with the shares racing ahead to touch 579p. Support came from news that the US Food and Drug Administration had granted approval to SmithKline's new Parkinson's Disease treatment, Requip, which combats the disease in its early and advanced stages. At the close, SmithKline shares were 4 ahead at 558½p.

Other pharmaceutical stocks were hit even harder by the Wall Street slide, with Glaxo Wellcome finishing 7 off at £13.56 and Zeneca 14 off at £19.65.

There was no let up in the downside pressure on Biocompatibles, whose shares plummeted a further 60 to 475p, for a two day decline of 117½p, or 20 per cent.

The stock has not recovered from the traumatic effect of disappointment over the terms of the joint venture with Johnson & Johnson of the US, which has seen Biocompatibles shares more than halve since September 8.

PizzaExpress rose 31½ to 759p, the third-largest increase in the FTSE 250, after it unveiled full-year results which took profits from £10.2m to £16.2m.

Although talk of a bid has usually followed the shares, there were no names in the frame yesterday and dealing volumes were very small.

Analysts were said to be sticking with their forecasts. UBS was remaining with a forecast of £23.3m pre-tax for 1998, and Dresdner Kleinwort Benson with £23m.

Analysts were said to be thin on the ground at the meeting with PizzaExpress, perhaps because the meeting coincided with a trip to Granada Gronp. Granada shares rose 2½ to 846p.

Tarmac gained 3 to 128½p, putting it near the top of the FTSE 250 risers after interim results that beat expectations and led to analysts' upgrades for the full year. Traders said analysts were adding about £6m-£8m to full-year forecasts, taking them from about £110m to £118m for this year, and the same amount to 1998 figures, taking them to about £140m.

However, Howard Proctor at SocGen has downgraded his standing on the stock to "sell".

He has told clients: "Earnings recovery from here will be less impressive.The high exposure to an improving UK market is tbe only attraction to an otherwise low quality stock."

Recent positive sentiment for tbe big food retailers seemed to run out of steam yesterday and they ran into some profit-taking. Asda was the only one to make headway against the market fall, following positive comments from UBS this week. Its shares gained 2½ to 162¼p, while Safeway recorded the fourth biggest fall in the FTSE 100 as the stock declined 10½ to 385p. Sentiment in Safeway was not helped by HSBC James Capel recommending clients to turn from holders to sellers of the shares.

Guinness advanced 6 in early trading after it announced interim profits up from £357m to £372m, which exceeded analysts estimates of between £350m and £365m.

Howaver, the shares ran into some profit-taking and the closed off 7½ at 576½p, despite talk of upgrades.

FT 30 INDEX

	Sep 23	Sep 22	Sep 19	Sep 18	Sep 17	Yr ago	*High	*Low
FT 30	3254.0	3277.2	3245.6	3247.6	3234.3	2601.7	3277.2	2668.6
Ord. div. yield	3.48	3.60	3.48	3.47	3.60	3.99	4.22	3.39
P/E ratio net	21.16	20.43	21.14	21.16	20.43	17.29	21.18	15.80
P/E ratio nil	20.67	20.15	20.85	20.89	20.15	17.13	20.89	15.71

FT 30 since compilation: high 3277.2 22/09/97, low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3285.0	3291.9	3278.1	3266.9	3259.1	3261.1	3254.4	3257.1	3254.3	3293.7	3253.4

	Sep 23	Sep 22	Sep 19	Sep 18	Sep 17	Yr ago
SEAQ bargains	43,331	46,692	45,905	45,028	45,364	36,343
Equity turnover (£m)†	-	NA	NA	2598.9	2477.7	1402.4
Equity bargains†	-	NA	NA	43,309	41,479	35,965
Shares traded (ml)†	-	NA	NA	795.9	682.8	472.8

†Excluding intra-market and overseas turnover but including Crest turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	652	Total Highs	146	Total contracts	23,268
Total Falls	760	Total Lows	62	Calls	11,588
Same	1,695			Puts	11,680

Sep 23 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	5170.0	5118.0	-47.0	5167.0	5086.0	7674	64030
Mar		5162.0	-47.0			0	1805

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		4775.0	-5.0			0	8954

FTSE 100 INDEX OPTION (LIFFE) (*5028) £10 per full index point

	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P	5100 C	5100 P	5150 C	5150 P	5200 C	5200 P
Oct	280½	39½	223	51	186½	65½	150	82	118½	104½	91½	128½	69	158	48	191
Nov	325½	83	289	96½	251½	111½	221	131½	191	152	161½	173½	136½	200	114½	229½
Dec	373	107	335½	122½	301½	138	271	158½	240½	177½	218	198½	182	223½	160	253
Jan	388	122½	353	136½	323½	155½	295½	175	267	195½	238	217½	212	243	191	273
Jun†			498½	210			437½	249			377½	290½			325	240

Calls 759 Puts 3,727

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4875 C	4875 P	4925 C	4925 P	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P	5125 C	5125 P	5175 C	5175 P	5225 C	5225 P
Oct	234½	44	196½	56	162	71	131	89½	103½	112	79	137	58	167	43	201
Nov	308	89½	272½	103	238	118	206½	136	176½	155	149½	178	125½	203	104	230½
Dec	349	110	314½	125	281	140½	250	159	221	178½	193	200	169	225	148½	250½
Mar			414½	186			354½	222½			298½	262½			247	208
Jun†			497½	220½			437½	255			379½	292			325½	332½

Calls 1,615 Puts 3,002 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	-	415	395	Antofagasta Uts	397½		-	-	-	-
§	F.P.	5.41	105	105	†Aram Resources	105		K4.2	-	5.0	-
-	F.P.	91.3	117¼	101	Bristol & W Prf	116¼	-½	-	-	-	-
§100	F.P.	30.8	145½	109½	Cammell Laird	145		L3.8	2.1	3.3	14.0
100	F.P.	7.23	120½	109½	†Computerland UK	120½	+½	M1.45	4.6	1.5	18.0
	F.P.	-	125	114	EMI B	121xd	-1½	Z2.75	-	2.8	-
§	F.P.	6.91	65	52½	†GB Holdings	52½		-	-	-	41.6
§150	F.P.	346.2	297½	162½	Galen Hldgs	285½	-9½	L0.9	5.7	0.4	46.0
§125	F.P.	5.43	135	90½	†Halcon Publsg	92½		-	-	-	-
§134	F.P.	6.47	135½	134½	†I S Solutions	135½		-	-	-	45.8
§160	F.P.	17.9	185	172½	†Kingfisher Leis	185	+7½	LW2.0	6.0	1.4	15.4
100	F.P.	31.5	112½	99½	Reabourne Merlin	104½		-	-	-	-
§100	F.P.	7.85	120½	105½	†SBS Group	110½		L2.4	2.0	2.7	19.4
-	F.P.	-	39½	30	Severn Trent 6	37½		-	-	-	-
-	F.P.	-	54½	37½	†Stentor Warrants	38½	+1	-	-	-	-
	F.P.	-	22¼	19½	Thorn 6	20½		-	-	-	-
-	F.P.	72.0	68½	56½	Viglen Tech	59		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Sep 22	% chg on day	Sep 16	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1318.01	−1.2	1334.21	1925.06	2.29	-	1985.11	1270.14
Regional Indices								
Africa (15)	1253.68	−0.3	1257.80	2571.56	6.05	21.59	2580.76	1253.68
Australasia (6)	1451.16	+1.4	1431.29	2060.23	2.75	17.22	2218.00	1336.10
North America (11)	1335.25	−1.9	1361.02	1726.24	1.03	52.69	1839.77	1244.23

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Sep 23	Day's chge%	Sep 22	Sep 19	Sep 18	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5027.5	−0.9	5075.7	5023.8	5046.2	3910.5	3.27	2.03	18.80	122.50	2160.82
FTSE 250	4709.6	+0.1	4707.2	4701.2	4701.8	4398.2	3.57	1.79	18.82	114.44	1979.59
FTSE 250 ex IT	4720.7	+0.1	4717.6	4714.0	4714.2	4422.2	3.70	1.83	16.50	116.36	1990.33
FTSE 350	2420.1	−0.8	2438.8	2417.8	2426.6	1952.6	3.33	1.98	18.95	58.96	2124.16
FTSE 350 ex IT	2421.3	−0.8	2440.2	2419.4	2428.3	-	3.35	1.99	18.72	26.94	1089.95
FTSE 350 Higher Yield	2349.2	−0.7	2366.1	2345.0	2349.4	1868.2	4.44	1.79	15.72	71.58	1751.24
FTSE 350 Lower Yield	2496.3	−0.8	2516.2	2495.6	2508.3	2044.0	2.41	2.28	22.81	46.37	1799.31
FTSE SmallCap	2300.03	+0.1	2296.81	2293.67	2291.24	2175.42	3.17	1.60	24.66	49.72	1963.94
FTSE SmallCap ex IT	2279.38	+0.1	2276.23	2273.94	2270.48	2172.47	3.42	1.66	21.95	53.41	1963.87
FTSE All-Share	2364.85	−0.7	2381.51	2362.31	2370.17	1929.88	3.32	1.96	19.24	57.17	2106.38
FTSE All-Share ex IT	2366.60	−0.7	2383.87	2364.49	2372.54	-	3.35	1.98	18.67	26.32	1084.33

FTSE Actuaries Industry Sectors

	Sep 23	Day's chge%	Sep 22	Sep 19	Sep 18	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(21)	4928.13	−2.2	5037.24	4990.76	5004.21	3708.24	3.15	1.65	21.39	105.74	2214.99
12 Extractive Industries(6)	4105.26	−2.0	4189.45	4200.96	4196.53	4086.28	3.45	1.88	16.31	139.41	1265.27
15 Oil, Integrated(3)	5272.16	−2.4	5402.14	5336.23	5349.01	3825.46	3.27	1.83	20.97	107.40	2434.26
16 Oil Exploration & Prod(12)	3745.08	−0.1	3747.47	3746.46	3784.19	2741.97	1.56	2.34	34.24	51.32	2302.69
20 GEN INDUSTRIALS(262)	2107.40	−0.4	2115.70	2102.26	2107.03	2076.87	3.72	1.94	17.38	56.60	1213.08
21 Building & Construction(35)	1380.79	___	1381.28	1381.90	1384.65	1193.04	3.30	2.26	18.75	32.84	1207.88
22 Building Matls & Merchs(30)	1845.32	−0.5	1854.02	1837.55	1843.67	1946.43	4.33	1.98	15.31	50.17	979.77
23 Chemicals(26)	2691.63	−0.7	2711.71	2695.62	2703.49	2492.46	3.77	1.64	20.25	75.16	1348.04
24 Diversified Industrials(15)	1501.22	−0.9	1515.15	1499.46	1497.72	1561.42	4.63	2.40	11.23	60.60	904.52
25 Electronic & Elect Equip(37)	2203.59	−0.3	2210.17	2198.95	2193.56	2407.66	3.72	1.65	20.37	50.82	1199.29
26 Engineering(65)	2880.53	−0.6	2897.72	2876.86	2903.46	2580.94	2.93	2.45	17.41	59.25	1823.11
27 Engineering, Vehicles(13)	3384.07	+0.4	3370.05	3347.23	3348.21	3154.29	2.76	‡	‡	73.71	1832.70
28 Paper, Pckg & Printing(27)	2293.81	+0.9	2273.44	2285.64	2263.22	2645.75	4.50	1.98	14.05	75.93	1010.99
29 Textiles & Apparel(14)	1062.39	+1.1	1050.60	1037.26	1020.59	1200.82	6.33	1.17	16.91	44.89	701.29
30 CONSUMER GOODS(86)	4645.34	−0.5	4666.75	4613.77	4645.58	3680.21	3.27	1.85	20.69	118.75	1806.33
32 Alcoholic Beverages(7)	3315.16	−1.0	3347.38	3331.59	3343.31	2772.21	3.75	2.02	16.46	90.98	1265.82
33 Food Producers(25)	3046.79	−0.6	3064.38	3034.02	3052.26	2591.52	3.53	1.88	18.79	76.71	1447.67
34 Household Goods(17)	3153.00	−0.6	3172.62	3162.40	3173.86	2672.08	3.16	2.44	16.16	58.00	1298.02
36 Health Care(14)	2194.82	−0.6	2208.64	2224.86	2223.15	2042.60	2.75	1.75	26.00	41.70	1381.82
37 Pharmaceuticals(19)	7617.47	−0.2	7630.21	7500.61	7580.03	5565.91	2.44	1.72	29.80	162.93	2694.89
38 Tobacco(3)	4339.61	−0.6	4379.07	4366.70	4358.25	3816.13	6.49	1.85	10.44	225.73	1176.46
40 SERVICES(269)	2819.05	−0.5	2833.17	2809.12	2807.88	2562.86	2.88	2.03	21.41	59.30	1528.53
41 Distributors(30)	2816.22	−0.4	2826.61	2832.80	2822.31	2845.56	3.31	1.98	19.12	67.71	1085.41
42 Leisure & Hotels(31)	3229.53	+0.1	3226.69	3186.31	3175.94	3169.24	2.80	1.99	21.74	82.37	1800.34
43 Media(41)	4262.73	−0.3	4275.32	4264.10	4245.49	4355.77	2.38	1.91	27.42	88.11	1594.47
44 Retailers, Food(15)	2588.42	−0.9	2610.75	2533.49	2530.43	1942.64	3.24	2.27	17.00	60.20	1733.35
45 Retailers, General(53)	2281.46	−0.5	2293.78	2278.63	2292.61	2117.86	3.13	2.19	18.16	52.89	1366.48
47 Breweries, Pubs & Rest.(22)	3374.56	−0.9	3406.78	3387.35	3383.42	3087.29	3.36	2.29	16.22	63.23	1666.07
48 Support Services(54)	3295.22	−0.1	3298.79	3286.98	3262.33	2566.07	1.61	2.62	29.60	32.98	2151.73
49 Transport(23)	2956.07	−0.9	2981.48	2958.53	2971.70	2493.16	3.41	1.26	28.69	65.28	1293.10
60 UTILITIES(32)	3126.22	−0.3	3134.98	3108.93	3096.06	2302.44	4.58	1.44	16.89	77.35	1456.32
62 Electricity(9)	3529.62	−0.4	3544.01	3502.77	3487.36	2350.98	5.03	2.01	12.36	116.63	2008.56
64 Gas Distribution(2)	2360.18	+0.4	2350.09	2360.19	2323.16	1357.52	5.17	‡	‡	54.50	1336.34
66 Telecommunications(9)	2384.40	−0.4	2394.33	2385.25	2359.47	1963.71	3.82	1.50	21.74	44.69	1147.27
68 Water(12)	2962.52	−0.2	2969.79	2965.67	2969.91	2185.66	5.60	2.27	9.84	90.96	1773.99
69 NON-FINANCIALS(689)	2387.98	−0.7	2404.40	2383.19	2387.24	2032.70	3.40	1.84	19.99	56.50	1909.35
70 FINANCIALS(106)	4618.16	−0.8	4657.77	4629.69	4670.22	3143.34	3.20	2.42	18.13	124.34	2100.91
71 Banks, Retail(11)	7102.75	−1.2	7190.07	7143.13	7224.70	4486.23	2.95	2.53	16.75	184.45	2449.80
73 Insurance(17)	1897.38	−0.3	1902.95	1880.16	1904.94	1468.98	4.58	2.90	9.41	75.35	1533.80
74 Life Assurance(8)	5110.86	−0.7	5144.86	5134.75	5149.74	3821.01	3.56	2.30	15.24	142.48	2241.81
77 Other Financial(27)	3306.77	+0.1	3303.74	3284.31	3294.74	2644.21	3.24	2.00	19.31	78.04	1980.52
79 Property(42)	2037.69	+0.7	2024.04	2009.51	2006.39	1639.48	3.22	1.34	29.07	39.10	1313.83
80 INVESTMENT TRUSTS(127)	3526.60	+0.1	3522.75	3502.23	3505.38	3177.00	2.15	1.17	49.71	51.82	1268.50
89 FTSE All-Share(901)	2364.85	−0.7	2381.51	2362.31	2370.17	1929.88	3.32	1.96	19.24	57.17	2106.38
105 FTSE All-Share ex IT(774)	2366.60	−0.7	2383.87	2364.49	2372.54	-	3.35	1.98	18.67	26.32	1084.33
FTSE Fledgling	1274.44	+0.1	1272.70	1271.64	1270.24	1241.51	3.22	1.00	38.86	29.47	1387.37
FTSE Fledgling ex IT	1277.76	+0.1	1275.98	1275.48	1273.90	1255.17	3.57	1.00	35.00	30.55	1394.04
FTSE AIM	1017.2	−0.1	1016.1	1018.3	1017.1	-	1.03	0.67	80.00†	5.40	933.80

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	5079.6	5090.6	5065.3	5055.5	5041.5	5044.7	5033.4	5037.3	5027.9	5095.1	5025.6
FTSE 250	4713.9	4718.0	4715.3	4713.1	4711.1	4711.6	4710.5	4708.6	4709.8	4718.3	4707.8
FTSE 350	2440.9	2445.5	2435.4	2431.3	2425.7	2427.0	2422.5	2423.8	2420.3	2447.1	2419.4
FTSE SmallCap	2298.77	2299.64	2299.51	2299.75	2299.74	2300.06	2299.89	2300.45	2299.95	2300.61	2298.72
FTSE All-Share	2383.73	2387.89	2378.74	2375.06	2369.89	2371.13	2367.00	2368.26	2364.98	2389.45	2364.16

Time of FTSE 100 Day's high: 8:48 AM Day's low: 4:07 PM. FTSE 100 1997 High: 5086.8 (07/08/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 8:48 AM Day's low: 4:07 PM. FTSE All-Share 1997 High: 2381.5 (22/09/97) Low: 1989.79 (02/01/97)

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown.
‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	685	513½	+4
AMVESCAP	304	390	+½
ASDA Group†	12,100	162¼	+2½
Abbey National†	2,100	882	-13½
Airtours	390	1047½	-1
Alliance & Leicester†	1,000	665	-4
Allied Domecq†	1,900	475½	-2½
[illegible]	[illegible]	[illegible]	[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY SEPTEMBER 22 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY SEPTEMBER 19 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	235.28	1.3	217.63	181.84	219.32	217.40	1.4	3.52	232.16	213.96	178.75	213.79	214.31	243.87	200.17	202.28
Austria (24)	202.08	0.1	186.86	155.98	188.33	188.25	1.5	1.74	201.85	185.96	155.41	185.88	185.79	206.00	175.14	177.88
Belgium (28)	244.16	-0.5	225.66	188.53	227.63	222.86	0.8	3.06	245.32	226.01	188.88	225.91	221.15	261.11	215.57	218.20
Brazil (30)	280.06	0.5	259.05	216.22	261.06	584.28	0.9	1.30	278.63	256.69	214.52	256.58	580.87	322.44	178.84	185.77
Canada (124)	224.94	0.6	208.06	173.66	209.66	226.13	0.6	1.66	223.52	205.92	172.09	205.83	224.86	224.94	168.43	168.49
Denmark (32)	390.80	-0.4	361.49	301.71	364.29	362.81	0.8	1.51	392.36	361.47	302.08	361.31	359.83	421.25	319.26	321.85
Finland (28)	312.14	0.4	288.73	240.98	290.96	350.63	1.6	1.57	311.02	286.53	239.45	286.41	344.97	314.06	209.53	210.60
France (83)	236.16	-0.1	218.44	182.32	220.14	223.20	1.2	2.38	236.38	217.77	191.99	217.87	220.63	237.57	193.78	194.52
Germany (58)	225.44	0.1	208.53	174.05	210.15	210.15	1.4	1.36	225.17	207.44	173.88	207.35	207.35	238.42	176.72	177.79
Hong Kong, China (66)	495.44	-2.2	458.27	382.49	461.83	492.42	-2.2	3.15	506.82	466.92	390.20	466.71	503.72	580.03	438.87	441.07
Indonesia (27)	149.32	0.3	138.12	115.28	139.19	277.33	1.6	2.34	148.88	137.16	114.62	137.10	272.89	254.90	130.64	207.03
Ireland (17)	362.35	-1.9	335.17	279.75	337.77	349.85	0.1	2.81	369.03	339.97	284.12	339.83	349.37	378.19	293.47	295.47
Italy (53)	112.12	3.1	103.71	86.56	104.52	148.53	4.4	1.62	108.79	100.23	83.78	100.19	140.39	112.12	74.29	74.83
Japan (485)	119.34	0.8	110.36	92.13	111.24	92.13	1.0	0.88	118.45	109.13	91.20	109.08	91.20	147.81	107.57	148.16
Malaysia (107)	294.57	-5.6	272.47	227.42	274.59	351.41	-3.8	2.05	312.87	288.24	240.88	288.11	364.44	660.85	287.37	568.07
Mexico (27)	1858.80	3.3	1719.35	1435.05	1732.69	15711.82	3.0	1.43	1798.69	1657.06	1384.83	1658.36	15258.77	1864.38	1138.59	1263.83
Netherlands (19)	410.28	0.7	379.50	316.75	382.44	378.05	1.9	2.21	407.53	375.44	313.78	375.28	370.96	431.66	297.95	299.85
New Zealand (14)	91.89	0.0	85.00	70.94	85.66	76.82	-0.2	3.96	91.88	84.65	70.74	84.61	76.96	96.47	83.03	87.20
Norway (41)	341.36	-0.5	315.75	263.54	318.20	337.31	0.5	1.82	342.93	315.94	264.03	315.80	335.51	342.97	251.32	253.91
Philippines (22)	100.91	0.5	93.34	77.90	94.06	167.64	-0.2	1.26	100.43	92.62	77.32	92.48	167.92	214.07	96.40	206.96
Singapore (42)	300.64	-1.6	278.09	232.10	280.24	211.83	-0.9	1.49	305.55	291.50	235.25	281.37	213.67	448.01	294.17	406.42
South Africa (43)	326.21	-0.7	301.74	251.84	304.08	335.28	-0.2	2.54	328.37	302.52	252.82	302.39	335.88	370.12	301.49	350.72
Spain (33)	266.48	0.7	246.49	205.73	248.40	305.42	2.0	2.15	264.66	243.82	203.78	243.71	298.45	276.05	177.34	177.40
Sweden (49)	515.63	1.1	476.95	398.08	480.64	586.28	2.2	1.76	510.00	469.85	392.65	469.94	573.91	515.63	370.08	373.79
Switzerland (33)	313.39	0.7	289.83	241.90	292.07	285.69	1.6	1.16	311.32	286.81	239.69	286.69	281.31	329.59	291.69	243.40
Thailand (42)	38.26	-1.4	35.39	29.54	35.67	55.40	-0.9	5.07	38.81	35.75	29.88	85.74	55.73	148.69	37.40	137.60
United Kingdom (213)	319.35	0.6	295.39	246.55	297.68	295.39	1.0	3.36	317.55	292.55	244.49	292.43	292.55	325.26	246.23	249.10
USA (634)	388.88	0.5	359.71	300.23	362.50	388.88	0.5	1.59	386.84	356.38	297.83	356.23	388.84	389.67	279.34	279.95
Americas (815)	355.46	0.6	328.79	274.42	331.34	299.43	0.8	1.59	353.47	325.65	272.14	325.51	297.77	356.35	255.50	256.00
Europe (712)	281.56	0.5	260.44	217.37	262.46	268.88	1.4	2.37	280.03	257.99	215.60	257.87	264.94	284.44	215.28	216.88
Nordic (150)	437.02	0.8	404.23	337.39	407.37	436.40	1.7	1.70	434.34	400.15	334.41	399.98	429.03	437.88	318.49	320.56
Pacific Basin (881)	135.04	0.2	124.91	104.25	125.87	105.14	0.5	1.38	134.78	124.13	103.73	124.07	104.60	162.15	127.18	160.41
Euro-Pacific (1593)	196.19	0.4	181.47	151.46	182.88	166.49	1.1	1.97	195.37	179.99	150.42	179.91	164.72	209.12	173.55	188.80
North America (758)	378.72	0.5	350.31	292.39	353.03	378.05	0.5	1.60	376.71	347.06	290.04	346.90	375.05	379.35	272.62	273.13
Europe Ex. UK (499)	254.59	0.5	235.49	196.55	237.31	247.49	1.7	1.81	253.24	233.30	194.87	233.20	243.30	256.73	193.62	194.74
Pacific Ex. Japan (396)	271.32	-1.4	250.96	209.46	252.91	252.28	-1.0	3.04	275.12	253.46	211.82	253.35	254.81	320.65	260.02	289.26
World Ex. US (1817)	200.82	0.4	185.76	155.04	187.20	173.74	1.1	1.95	199.84	184.20	153.94	184.12	171.95	212.89	176.94	185.53
World Ex. UK (2238)	255.53	0.5	236.36	197.28	238.16	229.61	0.8	1.60	254.32	234.30	195.80	234.20	227.85	262.69	211.16	211.67
World Ex. Japan (1966)	332.73	0.4	307.78	256.87	310.15	326.13	0.8	1.93	331.27	305.19	255.04	305.05	323.85	334.83	251.14	251.98
The World Index (2451)	261.01	0.5	241.43	201.51	243.31	235.68	0.8	1.78	259.76	239.31	199.99	239.20	233.82	267.21	214.31	214.92

Emerging markets: IFC Investable Indices

4 pm close September 23

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. ss-splits. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. ‡ Dealings suspended.

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NASDAQ

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Sep 22	Sep 19	Sep 18	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7996.83	7917.27	7922.72	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	104.10	104.12	104.21	104.70 (31/7)	101.09 (14/4)	104.70 (31/7/97)	54.99 (1/10/81)
Transport	3185.96	3208.80	3182.10	3208.80 (19/9)	2222.07 (2/1)	3208.80 (19/9/97)	13.23 (8/7/32)
Utilities	242.48	241.27	241.11	242.92 (18/9)	209.47 (25/4)	258.46 (31/8/93)	10.53 (8/7/32)

DJ Ind. Day's high 8078.36 (7972.28) Low 7889.27 (7821.89) (Theoretical) Day's high 8021.86 (7931.02) Low 7918.00 (7865.57) (Actual)

Standard and Poors	Sep 22	Sep 19	Sep 18	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	955.43	950.51	947.29	960.32 (6/8)	737.01 (2/1)	960.32 (6/8/97)	4.40 (1/6/32)
Industrials‡	1117.00	1111.92	1107.45	1138.76 (6/8)	865.42 (11/4)	1138.76 (6/8/97)	3.52 (30/6/32)
Financial‡	112.55	111.81	111.75	112.55 (22/9)	80.75 (2/1)	112.55 (22/9/97)	7.13 (4/9/74)
Others							
NYSE Comp.	499.19	496.56	495.41	499.19 (22/9)	389.47 (11/4)	499.19 (22/9/97)	4.64 (25/4/42)
Amex Comp	689.94	686.94	686.80	689.94 (22/9)	541.20 (28/4)	689.94 (22/9/97)	524.20 (16/7/96)
NASDAQ Cmp	1689.45	1680.36	1670.02	1689.45 (22/9)	1201.00 (2/4)	1689.45 (22/9/97)	54.87 (3/10/74)
Russell 2000	448.98	447.17	446.50	448.98 (22/9)	335.85 (25/4)	448.98 (22/9/97)	123.36 (7/12/93)

RATIOS

	Sep 18	Sep 12	Sep 5	Year ago
Dow Jones Ind. Div. Yield	1.67	1.69	1.67	2.18
	Sep 17	Sep 10	Sep 3	Year ago
S & P Ind. Div. yield	1.50	1.54	1.52	1.98
S & P Ind. P/E ratio	25.37	24.80	25.11	22.41

US DATA

MARKET ACTIVITY

Volume (million)	Sep 22	Sep 19	Sep 18
NYSE	490.930	634.591	571.896
Amex	25.018	27.582	36.598
NASDAQ	716.203	893.810	730.888

NYSE	Sep 22	Sep 19	Sep 18
Issues Traded	3,398	3,402	3,400
Rises	1,719	1,383	1,699
Falls	1,17	1,451	1,15
Unchanged	501	558	545
New Highs	381	276	409
New Lows	19	24	16

NYSE TRADING ACTIVITY — Volume x 490,930,000

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Compaq	7,222,400	78	+¾
AT & T	5,263,500	48	+1
Bell	4,799,800	103	+4
Micron Tch	4,743,100	40	+3¼
Merck	4,197,800	102	+4
Ph Morris	4,020,700	42	+1
East Kdk	3,919,700	61	+2¾
Boeing	3,883,700	52	+¼
Fst Data Cp	3,005,500	39¾	
Exxon	2,910,400	64	−1

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
ICN Pharma	49	+6	+13.9
Micron Tch	40¼	+3¼	+8.8
Nwbrdg Net	65¾	+5¼	+8.5
AG Edwards	46¾	+2⅞	+6.5
Downs			
Amwest Fin	21	−3⅞	−15.5
Am Resdntl	17	−2	−12.2
Jlie Chem	25¾	−2¾	−0.8
Fst USA Py	23¾	−1⅞	−7.4

NASDAQ TRADING ACTIVITY — Volume: 716,203,000

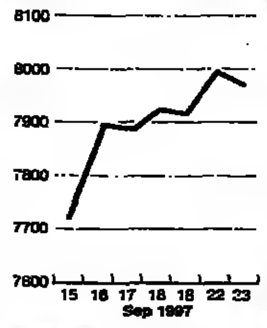
ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Informix	14,511,800	7¾	−2¼
Ascend Cm	11,477,400	37	+1
Intel Cp	10,572,900	96¾	+1
Rnt Sft	10,586,400	17¾	−5
3Com	9,757,500	50¾	+2
Cisco Sys	8,602,800	75	+1
Cymer	7,921,800	30	−5
Dell Cmp	8,972,700	93	+2
Tel Cm TCI	8,001,150	19	−
Oracle	5,491,700	37¾	−¾

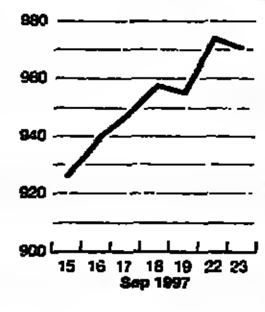
BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Semitool	24	+5	+30.5
Comp Data	46	+10	+28.5
Comm Bk In	22¾	+3¾	+20.5
Elct Rent	33¾	+5¾	+10.9
Downs			
Micro Wrh	21	−6¾	−24.8
Rent Sft	17	−5	−22.2
Ontgenes	11	−4	−19.1
Lunar Cp	19	−4	−19.0

Dow Jones



FTSE Eurotop 300



JAPAN

FRANCE

GERMANY

UK

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	965.95	968.10	-	967.45	963.20	51,931	187,845
Mar	975.50	976.50	-	975.50	974.40	101	2,898
Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	17910.0	18180.0	+150.0	18290.0	17900.0	18,385	166,509
Mar	17930.0	18300.0	-	18300.0	17930.0	1,007	7,692

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	3020.0	3008.0	-24.0	3022.0	2985.0	18,467	38,249
Oct	3030.0	3013.0	-23.5	3030.0	2992.0	1,312	11,501
DAX							
Dec	4122.0	4118.8	-17.0	4170.0	4108.0	18,886	58,297
Mar	4175.0	4153.0	-25.0	4198.0	4145.0	19	2,030

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	2575.00	2577.25	-2.75	2592.50	2569.00	11,761	18,083
Oct	2584.00	2586.75	-2.00	2601.00	2578.00	6,789	10,846
SOFFEX							
Oct	5700.0	5730.0	+18.1	5750.0	5683.1	5,934	22,097

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

Country	Index	Sep 23	Sep 22	Sep 19	1997 High	1997 Low	Yield	P/E
Argentina	General	24198.42	24149.65	24131.06	24917.00 6/8	18237.37 2/1	2.71	20.1
Australia	All Ordinaries	2776.9	2764.9	2730.4	2776.90 23/9	2352.28 1/4	3.32	19.2
	All Mining	769.2	768.6	763.1	887.10 24/2	755.10 18/8		

Qantas fell 4.5 per cent on reports of shrinking operating margins in face of flattening revenue growth.

Country	Index	Sep 23	Sep 22	Sep 19	1997 High	1997 Low	Yield	P/E
Hungary	Bux	7692.32	7755.58	7729.64	8483.80 6/8	4291.30 6/1	na	na

Early rise eroded after Hungarian GDRs began to fall in London.

Country	Index	Sep 23	Sep 22	Sep 19	1997 High	1997 Low	Yield	P/E
India	BSE Sens.	3822.42	3770.99	3825.12	4548.02 5/8	3225.24 2/1		
	Crisil 500	711.80	705.49	712.59	843.28 5/8	622.71 2/1	na	na

Late rally after short-covering by speculators and brisk demand from local institutions pepped up market.

Country	Index	Sep 23	Sep 22	Sep 19	1997 High	1997 Low	Yield	P/E
Poland	WIG	18016.2	17979.9	17920.0	18338.40 18/2	14421.80 6/1	1.32	12.6

Prices ahead after Solidarity's election success, although investors increasingly nervous awaiting coalition details.

Country	Index	Sep 23	Sep 22	Sep 19	1997 High	1997 Low	Yield	P/E
Portugal	BVL 30	3481.76	3470.27	3451.12	3603.86 7/8	2185.57 2/1	1.74	24.9
	PSI 20	8106.35	8081.25	8037.10	8360.88 7/8	5152.34 2/1		

Strong demand by foreign investors in banking sector helped market to gain against weaker European tide.

NASDAQ NATIONAL MARKET

4 pm close September 23

AMEX PRICES

4 pm close September 23

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3.5	+0.125	45000	8.25	2.875	Lernout & Hauspie	US$44	+4	52702	40.5	25
Artwork Systems	US$8		80950	11.125	7.875	Mercer Int'l	US$10.75	-0.125	500	11.75	0.125
Chemunex	FFr13		60000	10	10	NTL	US$27.5		0	27.5	20.5
Debonair Holdings	GBP5.9	-0.2	19500	7.15	4.5	PixTech	US$3.625		0	6.125	3.375
Dr Solomon's ADS	US$26	+0.125	8	30.75	16.875	Schoeller-Bleckmann	Sch1538		0	1692	900
EDAP TMS	US$8.25		0	0.125	0.5	Topcall Int'l	Sch4165	+115	2015	4055	3065
Esprit Telecom ADS	US$6		0	12.25	5.375	Turbodyne Technol	US$4.83	-0.170	0	6.25	3.75
Innogenetics	US$11		64692	12.75	9.875						

Prices for 23/9/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9060)

German inflation data fail to rally stocks

WORLD OVERVIEW

There was a sluggish tone to many stock markets yesterday despite some positive news on German inflation and interest rates. The recent revival in world bourses showed signs of running out of steam, *writes Philip Coggan.*

Consumer prices in North Rhine Westphalia and Bavaria fell by 0.3 per cent in August, encouraging hopes that the recent rise in pan-German inflation to 2.1 per cent might prove to be temporary.

With the Bundesbank once again leaving the repo rate unchanged, the dollar was able to edge closer to DM1.80 by the London close.

But the Frankfurt stock market drifted back after early gains and the DAX index lost 5.1 points in post-bourse trading. With Tokyo closed, markets in Asia were distinctly mixed as fears about the potential for corporate collapse continued to upset investors in several countries.

In the US, the Dow Jones Industrial Average, which had passed 8,000 on several occasions on Monday but failed to close above that level, drifted lower in early trading. Another profit warning, this time from Delta Airlines, weighed on sentiment.

A fall in global bond yields has been pushing up stock markets in recent weeks but investors may now be waiting to see whether the run of benign economic data can be sustained into the fourth quarter.

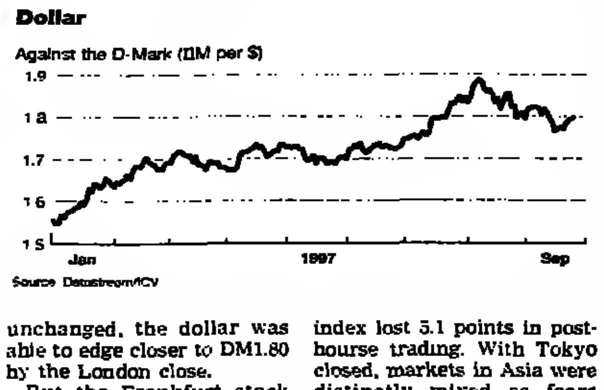
Those market watchers who monitor the charts have seen some worrying signs. "It has been clear since February that the bull story was starting to reach its conclusion, although initially it was only in the minor markets of the world," according to Robin Griffiths, chief technical analyst at HSBC James Capel.

"The large and mature western markets can still theoretically go higher but the risks now seem huge," added Mr Griffiths. "Our principal conclusion about equity markets at the moment is that we would prefer to own bonds."

A more sanguine view is taken by Goldman Sachs, the US investment bank, which has been a prominent bull of Wall Street in recent years. "We believe that European equities are likely to remain in a trading range with peaks and troughs established in August.

"Longer term, we believe that the fundamentals for European equities are still positive. The continental economic recovery appears to be gradually transitioning from a dependence on exports to a pick-up in domestic investment and consumer spending."

London market, Page 30



EMERGING MARKET FOCUS

Hedge funds lose momentum

Hedge fund investors in emerging markets suffered a setback in August as the problems in south-east Asia helped wipe the gloss off their performance so far this year.

Offshore hedge funds investing in emerging markets lost 7 per cent of their value in August while the US-based emerging market funds suffered a 0.3 per cent decline, according to the latest figures from Van Hedge Fund Advisors, a Nashville-based investment advisory firm.

In the year to date, however, the US-based emerging markets funds returned 27.9 per cent, making them the best performing hedge fund strategy measured by Van. The group tracks 1,400 US-based hedge funds and 1,100 offshore hedge funds.

This setback is the first serious one to hit emerging market investors since 1994 and the Mexican peso crisis. In 1994, US-based emerging market funds measured by Van lost 8.5 per cent, against an average fund and US stock market performance of a 1.4 per cent return.

Steve Lonsdorf, executive vice-president of Van, said that the problems in south-east Asia – with some markets losing 50 per cent of their value this year – had some similarities with the Latin American crash. However, he believed the emerging market world had matured sufficiently to prevent the "tequila effect" hitting all developing markets.

"Traders and investors seem to have learnt from their experiences in 1994 and 1995 that not all emerging markets were created equal," he said.

Emerging market funds are unusual for hedge funds in that they typically take long positions in markets they invest in. Hedge funds tend to be characterised by their ability to go short, where they sell shares they do not own with the intention of making money once the price falls. However, emerging market hedge funds are often prevented in going short by the legal situation in less developed markets.

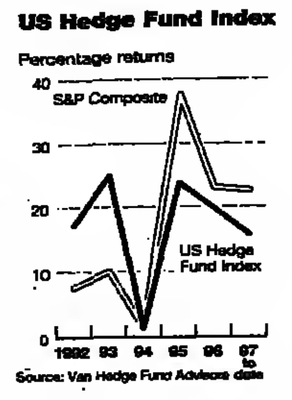
Their performance in the past year has also been atypical of the average hedge fund measured by Van. In August, for example, the average US-based fund gained 1.5 per cent, a clear achievement when set against the 5.8 per cent loss in the S&P 500 and a 7 per cent decline in the Dow Jones Industrial Average.

This small pick-up comes after a significant underperformance in the year to date as short sellers in particular and hedge funds in general failed to match the astounding blue chip-led growth in the US stock market. The average hedge fund in the Van index has underperformed the S&P 500 by 7.2 percentage points in the year to date.

As a sign of how atypical emerging market funds are, some 71 per cent of the US-based hedge funds in the survey reported positive returns for August.

The leading strategies were US Opportunistic, US Aggressive Growth and US Value. These three styles have different approaches but are essentially US stock pickers.

Jane Martinson



Dow slides on earnings concerns

AMERICAS

Wall Street was mixed at midday with earnings concerns acting as a brake on some key sectors, *writes John Labate in New York.*

A profits warning by Delta Airlines put a crimp in recent transport stocks' performance. Shares in Delta fell nearly 5 per cent or $5⅜ at $101¼. Worries of a possible slowdown spread to other carriers. Southwest Airlines lost $⅝ at $31 9/16 and UAL fell $1¼ at $84¾. The Dow Jones transportation index fell as a result, slipping 1.1 per cent to 3,149.34.

However, uncertainty among airline stocks did not impact Boeing, whose shares moved higher on reports of new aircraft orders. Boeing shares rose $1⅞ at $54.

"I think the market is digesting things a bit, ahead of next week's Fed meeting," said Warren Epstein, director of trading at Richard Rosenblatt & Co. Overall it was a morning of mostly directionless trading, markedly different in tone from Monday's strong gains.

The Federal Reserve Open Market Committee is set to decide interest rate policy next week, although most analysts do not expect a rate rise soon.

Blue-chip shares were lower by 1pm with the Dow Jones Industrial Average off 21.85 at 7,974.98. The broader Standard & Poor's 500 index also fell back, down 2.51 at 952.92. Among the weakest stocks were AT&T, off $1 1/16 at $44 5/16, and Union Carbide, down $1 5/16 at $47 11/16.

Other large movers included Viacom, whose stock slid after Goldman Sachs reduced its earnings estimate for 1997, sending the share down $1¼ at $32¼.

The Nasdaq composite index managed to squeak by with a gain, rising 2.82 at 1,692.27, in spite of a worse than expected earnings release by chip maker Micron Technology, released late on Monday.

Although investors sent Micron's shares down more than 10 per cent to $36⅞, the damage was contained as larger semiconductor producers, Intel and Motorola, traded higher.

Helping to take the computer sector higher was software maker Oracle, up $13/16 at $37¾. Major networking computer makers also gained ground. Cisco Systems put on $1⅝ at $76 5/16, while rival 3Com was $15/16 higher at $51 3/16.

TORONTO fell back from the previous day's best ever levels with the 300 composite index off 13.40 at 7,001.70 at the noon calculation. The easier trend followed a mixed session for the banks and clear signs of profit-taking at Newbridge Networks.

Dealers said there were no surprises in a C$1.95 fall to C$89.00 at Newbridge after the shares had surged 9 per cent on Monday. This followed the news that MCI of the US had chosen a Newbridge-Siemens product as the backbone switch for its network.

Banks were said to be wishy-washy. Toronto-Dominion added 15 cents at C$47.40 but Royal Bank of Canada dipped 10 cents to C$67.90. Golds in contrast made steady progress with Barrick and Placer Dome both gaining 10 cents to C$29.95 and C$21.85 respectively.

Index heavyweight BCE moved lower, slipping 25 cents to C$42.15.

Sao Paulo drops 1.5%

SAO PAULO moved steeply lower on mounting political uncertainty. Amid signs of widening splits within the ruling PSDB party following the resignation of communications minister Sergio Motta, the Bovespa index had racked up heavy losses at the close of morning trading. It stood at 11,527 at midsession, a decline of 171 or 1.5 per cent.

MEXICO CITY broke above the 5,300 level for the first time ever shortly after the opening bell, but by mid morning sentiment had swung gently into reverse.

Trading among leading stocks was mixed. Financial group Bancomer eased 4 centavos to 5.56 pesos in light trade, but Telmex gained 6 centavos to 19.86 pesos. At midsession, the IPC index was off 6.19 at 5,272.54.

SANTIAGO also fell back. The IPSA index was down 1.05 at 130.15 at midsession.

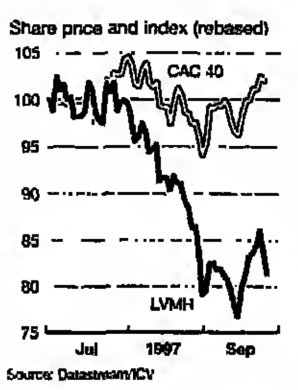
Paris slips ahead of budget

EUROPE

End of account factors and uncertainty ahead of today's budget release sparked modest profit-taking on the **PARIS** bourse.

LVMH fell FFr81.00 or 5.9 per cent to FFr1,294 to extend a downtrend that set in at the start of August. Dealers said the interim results contained a number of disappointing strands, notably a severe squeeze on cognac margins and weak returns from newly-acquired Duty Free Shopping.

Planned changes to the make-up of the CAC 40 also caused a number of weak features. Construction group Bouygues and drinks specialist Pernod Ricard, to be replaced in November by SGS Thomson and soon to be floated France Telecom, tumbled FFr22.00 to FFr537 and FFr9.50 to FFr292 respectively.



SGS itself, lifted by strong demand from index tracker funds, surged FFr37.00 or 6.8 per cent to FFr582. Usinor was one of the most active shares of the session, rising FFr3.40 to FFr113.9 in 3m traded after an upbeat statement following the steelmaker's interim figures.

Schneider fell FFr13.80 to FFr351 ahead of today's interim statement but Pinault-Printemps added FFr38.00 at FFr2,714. Peugeot added FFr14.00 at FFr797 after Lehman Brothers reiterated its "buy" recommendation following Monday's six-months results.

At the close, the CAC 40 was off 20.22 at 2,997.23 in modest turnover of 13.7m shares.

ZURICH continued on its upward path, but in more subdued trading than that seen in some recent sessions, and the SMI index finished 25.3 higher at 5,730.4.

Among blue chips, Nestlé jumped SFr47 to SFr2,041 on hopes that the new chief executive, Peter Braheck, might have something to say about a possible restructuring at an analysts presentation in New York last night.

ABB added SFr37 to SFr2,200 as foreign investors adopted a more optimistic view of its exposure to the southeast Asian region.

In drug issues, Roche continued to underperform, falling SFr105 to SFr13,370.

Clariant, the specialty chemicals group which had climbed 10 per cent in recent sessions ahead of yesterday's half-year report, gave up SFr21 to SFr1,189 in spite of announcing results that were at the higher end of expectations.

In a broadly weaker financial sector, UBS rose SFr32 to SFr1,652 as the market once again heard recurring stories that a merger could be in the air with CS Group.

FRANKFURT was mixed in late electronic trade, with the benefits of a stronger dollar negated by weakness on Wall Street.

Bolstered initially by a sharper than expected fall in September consumer prices in two German states, which sent the dollar higher against the D-mark, shares fell back later with only a few individual stocks finishing in positive territory.

The Ibis-indicated Dax index finished 5.08 weaker at 4,091.77.

Douglas Holding, the cosmetics retailer jumped DM4.90 to DM70.20 on its announcement late on Monday that it had agreed a cross-stake deal with LVMH, the French luxury products group. Paribas and Deutsche Morgan Grenfell upgraded their recommendations on the shares after the news.

RWE, the utility group, added DM3.35 to DM87.35 on rumours that the company would announce earlier than expected that plans to rationalise its share structure would go through.

Among shares to gain from the dollar's strength were Hoechst, up DM2.28 to DM77.63 ahead of today's debut for the share on the NYSE, and Volkswagen, which gained DM19.50 to DM1,205.50.

AMSTERDAM moved lower in spite of a strong session for Philips and solid performance among publishers. The AEX index came off 1.30 to 909.14.

Philips rose Fl 4.20 or 2.7 per cent to Fl 157.50, helped by Monday's IBM-led bounce for US tech stocks and a reiterated buy recommendation at Morgan Stanley. Among publishers, Elsevier gained 60 cents to Fl 2.40 and Wolters Kluwer Fl 2.60 to Fl 244.10.

Royal Dutch fell Fl 2.30 to Fl 108.50, ABN Amro 60 cents to Fl 40.80 and KLM, which finally sealed its links with Northwest Airlines of the US, came off Fl 1.60 to Fl 69.70.

MILAN made an early attempt to extend Monday's rally as hopes of a cut in interest rates and EMU enthusiasm persisted, but shares subsequently ran into profit-taking which pulled the market back from its record high level. The Comit index registered a rise of 16.66 to another record high of 996.49 but the real-time Mibtel index turned back from a high of 16,091 to close 74 weaker at 15,768.

Edison, the energy company was up strongly, gaining L322 to L9,410 on better than expected first-half results released on Monday.

Bank Istituto Mobiliare Italiano also outperformed the market gaining L752 to L19,245. Analysts said the shares were up on a bounce having lagged behind the market in recent sessions.

Written and edited by Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices — European series

September 23

National & Regional Markets	Ecu index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	971.64	−0.24	−2.30	2.30	0.00	975.56
FTSE Eurotop 100	2273.59	−0.21	−4.81	–	–	–
FTSE Eurotop 300 Regions						
300 UK	963.73	−0.25	−2.38	3.25	0.00	971.08
300 Ex-UK	975.92	−0.23	−2.27	1.77	0.00	978.87
300 Eurobloc	963.98	−0.41	−3.95	1.98	0.00	966.89
300 Ex-Eurobloc	977.93	−0.12	−1.14	2.53	0.00	982.60
FTSE Eurotop 300 Economic Groups						
Resources	996.92	−1.42	−14.40	4.54	0.00	1008.61
General Industries	992.43	+0.21	+2.12	2.32	0.00	993.73
Consumer Goods	939.94	+0.05	+0.48	3.14	0.00	942.65
Services	965.83	−0.01	−0.05	5.61	0.00	969.24
Utilities	967.05	−0.17	−1.61	5.65	0.00	972.58
Financials	973.16	−0.42	−4.14	3.69	0.00	977.38

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved.

SOUTH AFRICA

Shares in Johannesburg ran into a squall of selling after the central bank hinted that expanding money supply was likely to preclude any reduction in interest rates.

Amid fairly stiff pressure from the futures pits, the all-share index lost 97.6 or 1.4 per cent at 7,057.8. Industrials came off 89 to 8,657.1 and the golds index ended 24.1 lower at 873.2.

Loan default fears hit Manila

ASIA PACIFIC

Renewed weakness for the peso and talk of another corporate loan default sent financial shares spinning lower in **MANILA**.

At the close of a hectic session, the composite index was off 46.56 or 2.2 per cent at 2,049.67 after touching a low for the day of 2,026.03.

The banking and financial index shed almost 4 per cent. Leading stocks took a severe beating. Metropolitan Bank fell 6.3 per cent to 335 pesos and Philippine National 6.7 per cent at 33 pesos.

Sentiment was severely tested by rumours that animal feeds group Vitarich had run into financial difficulties. The speculation follows on from last week's loan default by the EYECO group.

KUALA LUMPUR staged an unexpected rebound after Monday's 3.5 per cent tumble as local funds came into the market to support key index-linked stocks, but uncertainty among overseas investors continued after the weekend confusion over interest rates.

By the close, the composite index was 20.70 or 2.7 per cent higher at 781.20.

SYDNEY closed off its highs after a volatile day. The All Ordinaries index added 12.0 at 2,776.9. This was 19 points short of the session peak.

Qantas came off 13 cents or 4.5 per cent at A$2.80 on 24.9m shares traded following reports in a trade magazine of shrinking operating margins in the face of flattening revenue growth and a slowing cost cutting programme.

Foster's rose 7 cents to A$2.97 on UK disposal news. News Corp gained 19 cents at A$6.80. Among banks, Westpac rose 14 cents to A$9.04 with brokers attributing the rise to the approaching share buy-back.

Tokyo was closed for a public holiday

HONG KONG's blue chips edged to a slightly lower close, while China-linked stocks tumbled sharply on a lack of buying incentives.

The Hang Seng index closed just 13.70 lower at 14,094.38, after bouncing off a day's low 13,921.27. Turnover reached a respectable HK$13.8bn.

The finance sector led the market, while properties underperformed. HSBC Holdings closed HK$2 higher at HK$231.

The red chip Hang Seng China-Affiliated Corporations index slid 5 per cent while the Hang Seng China Enterprises index of 34 H shares slumped 5.2 per cent.

Analysts noted that the the state enterprise reform programme announced in Beijing last week contained little detail on which to build investment strategies.

SEOUL lost 2.1 per cent as continuing worries over the fallout from the Kia Group's troubles and the falling won sent prices down.

The composite index lost 14.08 to 654.37 as increasing foreign sales, mainly of blue chips, also dented the index.

Brokers said that the Kia Group's application on Monday for court protection for five affiliates renewed worries over the possible impact on financial markets.

They added that the won's fall against the dollar also continued to hurt sentiment since it would discourage foreign investment in the market.

Brokers said foreign sales put pressure on blue chips, which fell across the board. Korea Electric Power shed Won1,100 to Won19,500, its lowest level for more than three years.

Pohang Iron and Steel fell Won1,900 to Won54,600 and Samsung Electronics lost Won1,100 to Won66,700.

BANGKOK closed 2.3 per cent higher as local investors bought on hopes the government would survive a parliamentary censure motion and pass a new draft constitution. The composite SET index closed 12.2 higher at 536.03.

Prime minister Chavalit Yongchaiyudh faces a two day censure debate, starting today, ahead of Saturday's parliamentary vote on a new draft constitution.

Bangkok Bank gained Bt5 to Bt125 and Nava Finance jumped Bt1.75 to Bt19.50. PTT Exploration rose Bt34 to Bt394 helped by news of a gas find.

TAIPEI closed sharply lower following hints from the central bank that it was not yet ready to cut banks' reserve requirements.

The weighted index fell 147.22 or 1.6 per cent to 9,073.77 in modest turnover of T$100.7bn.

GIBRALTAR

Ambitions for an offshore financial centre are at the heart of the territory's search for the security that comes with economic self-sufficiency, says **David White**

Renewed efforts to secure a niche

However you look at it, Gibraltar is unique. It is a colony on the continent of Europe, a distinctive Anglo-Mediterranean mixture, squeezed on the side of an isolated limestone mass, almost 1,400 feet high, known since antiquity as one of the great geographical landmarks of the world.

Among the dozen British dapandent territoriea remaining after the transfer of Hong Kong to China three months ago, it is tha only one attached to the mainland of another country, and apart from the Falklands and the other south Atlantic islands claimed by Argentina, the only one subject to a disputa over sovereignty.

Twelve years after its border gates with Spain were fully opened, it still has no air or ferry connections with the neighbouring country. Its single frontier post has the reputation of being the most troublesome within the EU, of which it is part, although not for purposes of customs, VAT or farm policy (having no farmland).

It uses sterling – thinly disguised in local coinage – but drives on the right. It is the only bit of Europe that speaks both Spanish and English, in that order and usually in the same sentence. A territory in which there is hardly enough space to drive a car in fourth gear, it must be the only place on earth where, to enter by land, you have to cross the airport runway.

Its 6.5 square kilometres house a population of 30,000, among them 23,000 Gibraltarians, mainly of Genöese, Maltese, Spanish, Portuguese and British descent, who realise the situatioo in which they are living is anomalous but are determined to maintain thair ties with the UK.

Gibraltar has the ultra-sensitivity of a small and relatively cut-off community and a distrust sometimes bordering on paranoia. On the other hand few communities of this size exercise as much muscle as the Gibraltarians do.

Average income is higher than Spain's – not far short of Britain's – and half of Gibraltar's 18-year-olds go on to higher education – wbich in practice means university in the UK.

Along with tbe other dependent territories, Gibraltar'a constitutional arrangements with the UK are subject to a review announced by tha British government last month in the wake of the Hong Kong handover and the Montserrat volcano disaster.

Peter Caruana, the centre-right Gibraltar chief minister, wbo was elected last year, is looking for a formula that will allow the territory to remain a dependency but drop its colonial tag.

British officials warn, however, that any change in Gibraltar's relationship must take account of "the Spanish angle", which they also see as a matter of economic realism.

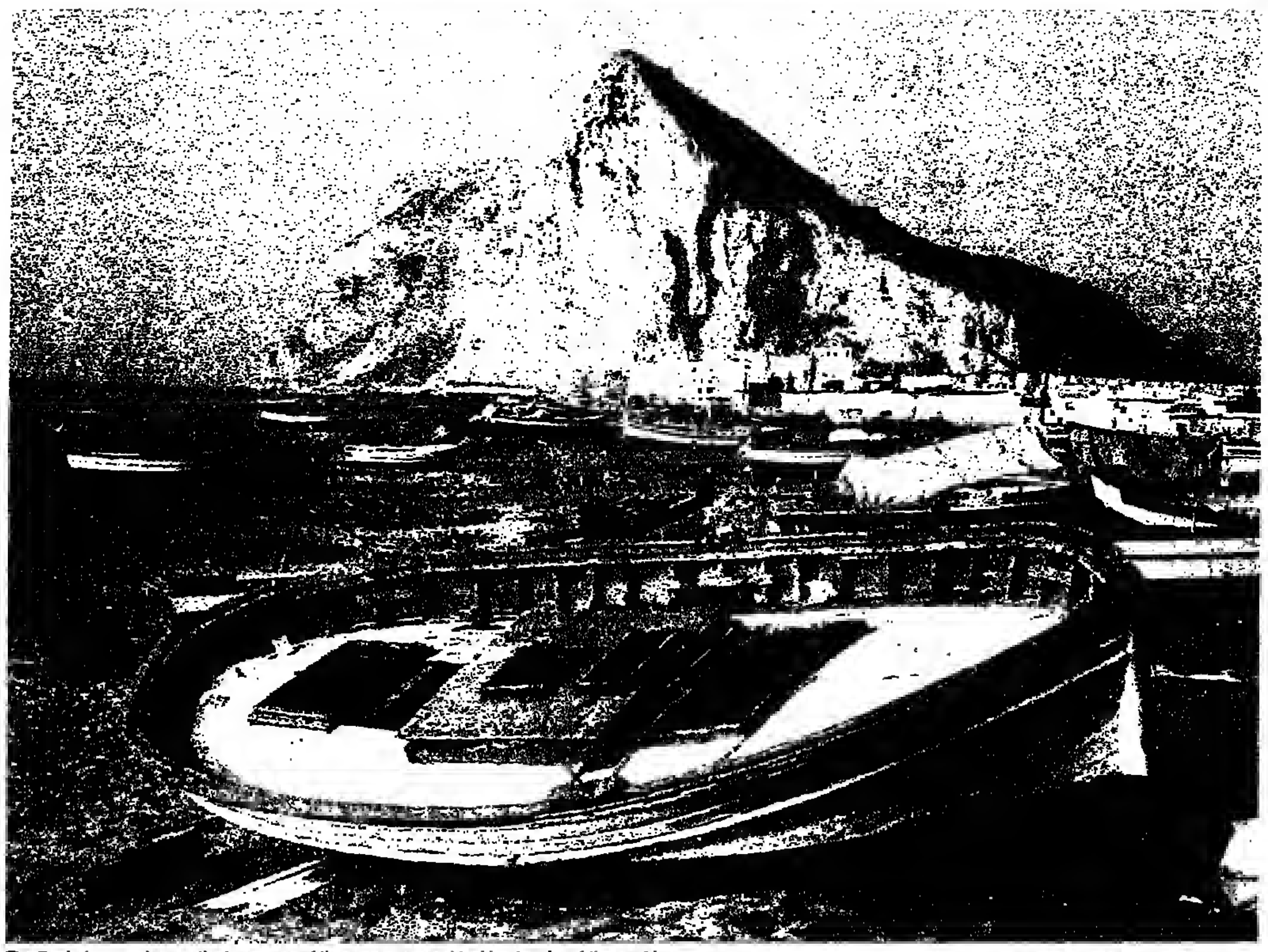
The basis of British rule in Gibraltar bears some comparisons with Hong Kong. Both include territory originally ceded to Britain in perpetuity. Bnt just as Hong Kong's more extensive New Territories came under a separate deal, the treaty covering Gibraltar's "town and castle" – the Rock itself – did not includa tha narrow sandy isthmus connecting it to the mainland, which was for many years marked on Britain's own maps as "neutral ground". This is a relatively tiny piece of land, but crucial because that is where Gibraltar has its airport.

Uolike Hoog Kong, bowever, there is no lease or daadlina, and unlike the Hong Kong Chinese the Gibraltarians in no way consider themselves Spanish. And they have a constitutional guarantee that sovereignty will not change bands unless they agree to it.

A loog-standing garrison town, but now without a garrison big enough to support it, Gibraltar is looking for the security that comes with ecooomic self-sufficiency. It is placing its hopes, not for the first time, on being an offshore financial centre – wbat Mr Caruana calls "a sort of mini-City of London".

The emblem of its ambitions, and its challenges, is a large modern office development on reclaimed land, now standing mostly empty, seemingly as oversized by Gibraltar standards as tbe extravagant new Saudi-funded mosqne which bas been built at Europa Point, the Rock's southern tip.

Gibraltar, which pioneered the "exempt company" concept in Europe 30 years ago and has built up its banking sector since the 1980s, has renewed its efforts with a coocerted strategy to secure a solid niche in insurance, banking and investment services.



The Rock: known since antiquity as one of the great geographical landmarks of the world

Robert Harding Picture Library/Charles Bowman

Mr Caruana says its aim is to be, more than a tax haven, a "reputable, respectable, well-regulated financial centre", making use of its status within the EU, and competing with the likes of Dublin and Luxembourg.

Its first task has been to try to expunge the notoriety earned in the early 1990s wben Gibraltar feli back on its venerable tradition of tobacco smuggling. Business in contraband cigarettes for the Spanish market reached industrial proportions three or four years ago, and was joined by trafficking of canoabis from Morocco. At the peak, there were reckoned to be as many as 80 high-speed boats working out of Gibraltar.

In place of the defence-reliant "dockyard economy", in came the "fast-launch economy". Britain was sbamed into threatening to impose direct rule if the boats were not outlawed. As a result of a clampdown in the past two years, the launcbes – rigid inflatable boats with powerful outboards – have virtually disappeared.

"To me, it's something totally of the past," says Sir Richard Luce, the former foreign office minister who arrived earlier this year as the colony's first-ever non-military governor. With responsibilities that include the police, he sets a high priority on law and order and the recovery of Gibraltar's reputation.

The blatant smuggling boom was a boost for the economy while it lasted, but it severely aggravated Spanisb grudges. UK-Spanisb talks over the colony have been becalmed since a fiasco over plans for joint use of Gibraltar's airport 10 years ago – an agreement which would have been a breakthrough but which the Gibraltarians blocked. All along, there has been no substantial discussion of sovereignty, although the issue is officially on the agenda of the talks, held roughly once a year at foreign-minister level.

Spain, in the meantime, has operated a variable regime of border controis, which perplex and exasperate Gibraltarians and provoke occasional protests from the British embassy in Madrid. Aggravation is increased by difficulties over Gibraltar-issued passports and driving licences.

Far from keen on the growth of an offshore centre, the Spanish government continues to question the financial activities undertaken by Gibraltar-registered companies. But Anthony Fisber, development director for the financial servicas centre, points to the stiff regulations introduced against money-laundering. "The mud isn't sticking," he says.

In June Gibraltar's regulators won an important badge of endorsement when the UK granted full equivalence in insurance services, in effect clearing Gibraltar-based insurance offices to trade throughout the EU. Similar approval is now expected for other services. According to one prominent lawyer, Gibraltar is if anything becoming over-regulated. "We are probably getting a staamroller to crack a nut," he says.

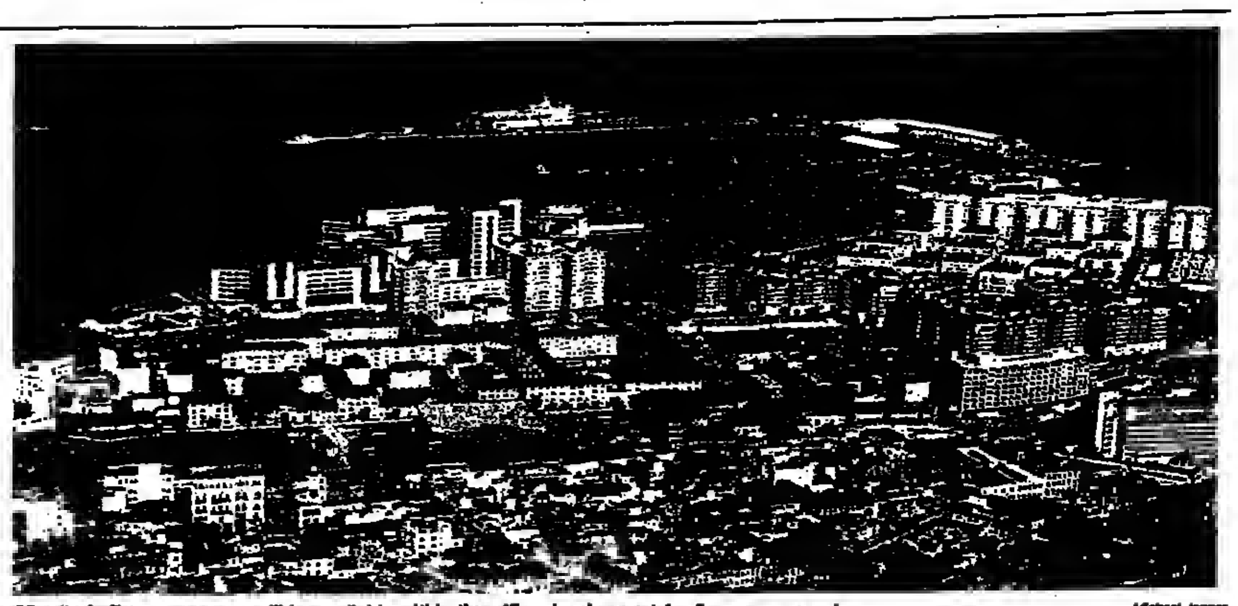
Economic options are limited by size, space and the availability of skills. Since the early 1980s, Gibraltar'a traditional military mainstay has been in decline. It has had to get used to the fact that it can no longer live as a fortress.

The UK ministry of defence, which previously accounted for the bulk of Gibraltar's gross domestic product, now provides less than 10 per cent, and reductions are still going on.

Continued on page 4

ECONOMY • by Tom Burns

New venture for the colonial outpost



Gibraltar's Europort: space will be available within the office development for finance companies *Michael Jenner*

Most of the elements of the offshore financial centre are now in place

Sir Winstoo Churchill said that Gibraltar would remain British while there were apes around on the upper reaches of the Rock. In the 1980s a new buzz phrase emerged: Gibraltar would be self-sufficient if an offshore finance centre replaced the ministry of defence facilities that London was fast winding up.

There are now so many apes that a row has broken out on whether to shoot them or capture them and give them away to any zoo that might want them. There is no such controversy over the idea of the offsbore finance centre that seems at last ready to take off.

Before the summer, Gibraltar earned the authorisation to issue insurance "passports", to practice this means that an insurance company established on the Rock can trade anywhere to the European Union and in the European Economic Area.

Such companies were formerly required to meet the regulatory standards of a member state and therefore needed a partner or a subsidiary unit in such states to conduct business in the heart of Europe.

The theory is more important than the practice. The authorisation represented a breakthrough. It indicated that Gibraltar had passed muster on regulatory standards as far as the UK and Brussels were concerned. All notions that Gibraltar was economical with such standards were thus laid to rest.

The new theory is that the degree of supervision in Gibraltar is now on a level with that of Dublin and Luxembourg, its two potential competitors in the EU's offshore financial industry.

Anthony Fisher, development director of Gibraltar's financial services centre, believes that the Rock will be authorised to issue banking passports early next year, for he fully expects a favourable decision from a Bank of England audit review team that is currently examining the issue. The final step will be permission to set up fund management services on the Rock and market them around the world.

Thus, the three pillars needed to get an offshore financial centre up and running – insurance, banking and fund management – are almost in place. Gibraltar, by taking control of its own financial sector, will be able to offer low costs and a highly tax favourable package to its clients.

The package will be targeted at clients in the US, the Middle East, South America and South Africa who are seeking to do business in the EU. Mr Fisher believes that as the financial centre consolidates its position, it will come to be looked upon as the natural offahore extension of the City of London.

Unlike the Channel Islands, Gibraltar will be regulating business that is in the EU and for the EU. The Rock should, in addition, be able to market considerably cheaper services than Jersey or Guernsey. Backers of the venture also point out that Gibraltar, unlike the Channel Islands will be able to import skilled personnel because its regulators will not insist on local recruitment.

Other points claimed in Gibraltar's favour are its smallness, its location and its bilingual – English-Spanish – population. "We have UK supervision standards but because wa are so small there are good contacts and good relations with the regulators," says Paul Savignon, managing director of Norwich Union in Gibraltar and chairman of the colony's insurance companies association.

Enjoying what its backers call "the best of both worlds" – quality regulation and a user-friendly atmosphere – Gibraltar can market itself as the financial centre that stands in Europe's sunbelt, at the tip of the EU's "Florida" and close to Malaga which would be the equivalent of Miami.

For the South American market seeking a tax-efficient offshore base for business in the EU, the Rock offers Spanish-speaking financial and legal services.

Gibraltar has three disadvantages, however: its offshore venture faces stiff competition, it has a raffish reputation, whether deserved or not, and it has a political problem with Spain.

Dublin has shown that what Gibraltar aspires to can be achieved. But the experience of Ireland's capital, now selling itself as Europe's financial back office, illustrates the challenge the Rock faces as it carves a niche for itself in the offshore business. It has taken 10 years, huge investment and strong lobbying in Brussels and in the US to bring Dublin to the point where it is attracting considerable business from leading financial institutions and US corporates.

Gibraltar does not have Dublin's size, its critical mass and its US connections. It also lacks the squeaky clean image of a Jersey or Guernsey. The Rock's regulatory standards are unarguable for they have been approved by the UK's department of trade and industry but ita past cannot be shrugged off overnight.

Finally, Gibraltar has a problem with Spain. Madrid can neither block insurance "passports" issued by tha Rock's authorities nor prevent whatever business is done from Gibraltar in the EU. But until Madrid has an agreement over the Crown colony's constitutional status that it can live with, it is not going to encourage tha offshore venture.

Philip Canessa, a director of Hambros Bank in Gibraltar, says the Spanish government cannot harm the financial centre as much as it thinks it can. "Our business is worldwide and if you go to Germany nobody attaches any importance to the political aspects. People look at tha costs, tha efficiency and the confidentiality."

The leading players in Gibraltar's financial community have noted that the insurance "passport" is receiving the attention it deserves.

"We'va had numerous instances of interest coming to us with Bermuda and the Cayman Islands heading the list," says Mr Savignon. With specialised companies operating out of such global tax efficient centres looking at Gibraltar's suitability as a vehicla for entering Europe, the likelihood is that sooner rather than later the big clients will be lining up to tap the Rock's services.

Mr Fisher estimates that 12-months will elapae between the completion of feasibility studies and the launch of the potential business.

Over the next five years the financial services business will be directly employing np to 2,000, up from 600 at present, and its contribution to Gibraltar's gross domestic product will rise from a current 20 per cent to at least 33 per cent.

POLITICS • by David White

The Rock in a hard place

Gibraltarians want to remain British but Spain will not forget about Gibraltar

A detailed map of Gibraltar bas pride of place on the office wall of the bead of the Spanisb foreign ministry's European department in Madrid.

It is dated 1780, when the British garrison was under siege and shows the Spanisb lines well inside the place where Gibraltar's airport runway now crosaes the tongue of flat territory connecting the Rock to the mainland. Behind the Spanish lines, the map depicts the Spanish fortifications that were demolished during the Napoleonic wars, when Britain and Spain were allies.

To the eternal vexation of the Rock's inhabitants, Spain is not going to forget about Gibraltar. For Spaniards, the presence of a British colony on the Iberian peninsula is simmply wrong. It is a question of injured pride, a splinter in Spain's toe, sometimes ignored but ever present.

Governments in Madrid may not always want to make too much noise about it – Britain and Spain being EU partners and Nato allies – but no administration can afford to show signs of weakness on Spain's claim to the territory and the desire for it to return to its flag.

Britain, on the other hand, has made a solemn engagement to stay as long as the inhabitants of Gibraltar want it to – an exceptional pledge which is similar to its commitment to Northern Ireland.

The preamble to the Gibraltar constitution of 1969 – under which the UK "will never enter into arrangements under which the people of Gibraltar would pass under the sovereignty of another state against their freely and democratically expressed wishes" – is the Gibraltarians' security against a sell-out.

It is 30 years since their wishes were put to the test in an official referendum in Gibraltar, when the result was 12,138 in favour of staying British and 44 against. Spain was then under the Franco dictatorship.

However, there is no sign of Gibraltarians becoming any more willing to relinquish their British sovereignty.

Their opposition to compromise has bogged down Anglo-Spanish negotiations, held about once a year under the so-called "Brussels process". This negotiating framework was named after a 1984 joint Anglo-Spanish communiqué which was meant to speed progress.

Preparing the way for free movement between Spain and Gibraltar, the agreement put sovereignty on the agenda for the first time. But it has never got beyond the agenda.

The optimism generated by the Brussels initiative lasted about three years. Britain had just done its deal with China over the future of Hong Kong. Sir Geoffrey (now Lord) Howe, then the UK foreign secretary, appears to have accepted the idea that Gibraltar might eventually come around to a sovereignty deal.

In 1985, the border was opened to traffic, 16 years after Franco closed it off, cutting communications links and withdrawing the Spanish work-force. Both Spanish and British sides expected the Gibraltarians to become more involved with Spain and it appeared that the paths of Spain's claim and the Gibraltarians' wishes might start to converge.

The high point in this detente was an agreement in 1987 on the joint use of Gibraltar's airport. Passengers would be able to use it to travel between southern Spain and Madrid or Barcelona, without passing through border controls.

But the UK found itself unable to implement the deal, opposed by the Gibraltar House of Assembly. Gibraltar's rebellion against the agreement heralded the election victory the following year of the Gibraltar Socialist Labour Party whose leader Joe Bossano pulled out of the Anglo-Spanish talks.

Opponents of the airport deal considered – correctly – that it contained an important concession to Spain on the principle of rights to the isthmus.

Madrid has, in fact, two claims on the territory that is now Gibraltar.

One involves the Rock, where the Gibraltarians live, ceded to Britain by the 1713 Peace of Utrecht. The treaty covered "the full and entire property of the town and castle of Gibraltar . . . to be held and enjoyed with all manner of right, for ever . . ."

But the isthmus was long considered neutral ground. Britain says its rights to it are based on continuous occupation since the early 19th century.

Madrid says that the British took advantage of the situation after being permitted to set up provisional camps on the isthmus during a yellow fever epidemic.

Mr Bossano, during his two terms as Gibraltar chief minister, played heavily on the self-determination theme.

Spain regards this as a political cul-de-sac. Tha Utrecht treaty states clearly that if Britain quits Gibraltar, Spain has the option to take it back. Madrid views the treaty as an anachronism, bnt stands by this principle, ruling out any form of independence.

At the last round of talks in January, Abel Matutes, the Spanish foreign minister, informally revived a proposal for sovereignty to be shared for an interim period, possibly 50 years, before reverting to Spain.

A similar plan was mooted in the more auspicious period of the mid-1980s by the Socialist foreign minister of the time, Fernando Morán. Then, as now, it fell on stoay ground.

Spain says it would make ample allowance for Gibraltar to keep its own identity and privileges. It is not enamoured with having an offebore centre on its coast, but says it would let it remain, subject to strict fulfilment of EU rules.

Gibraltar's backlog in complying with EU directives in a variety of areas has been a source of constant and complex argument. The constitution, approved four years before Britain joined the European community, gave Gibraltar a large measure of independence, devolving powers which in many instances bave EU implications.

However, the UK, not Gibraltar, is the member state, and is therefore answerable for any failures to comply with EU rules.

Allegations of irregular financial activities, whicb Britain says are unproven, are cited as one justification for continuing tough Spanish border controls.

The Spanish government says it is satisfied that cigarette-smuggling and drug-trafficking operations have been brought under control, but still questions the activities of "opaque" companies registered in Gibraltar.

The Gibraltar government views the allegations as a pretext for what they see as deliberate harrassment on the border, where vehicle checks frequently mean long traffic quenes in both directions.

Madrid saya the Gibraltarians "want their toast buttered on both sides" – an open border while retaining tax exemptions. They also argue that while Britain remains outside the Schengen arrangement on open frontiers within the EU, it is in no position to give lessons on free circulation. Under the Schengen deal, the Spanisb-Gibraltar frontier is treated as an external border.

The delays have tended to become shorter but Spanisb controls are still considered by the Gibraltar authorities to be disproportionately long.

What is clear is that they add to the stock of ill will, and put back any hopes that Spain might entertain of winning Gibraltarian hearts.

PROFILE Peter Caruana, chief minister of Gibraltar

The dove adopts a tougher line

Peter Caruana, chief minister, is ready to put forward proposals to London for "modernising" Gibraltar's constitutional status

In his curriculum vitae, Peter Caruana, chief minister of Gibraltar, lists political and current affairs among his "leisure interests", next to golf. However, there is nothing leisurely about his position. Quite tha opposite: in this tight-packed community, ever conscious of its difficult relationship with Spain, there is just no getting away from politics.

And as for the chief minister's golfing activities, there are dozens of places to play withto a short distance, bnt all remain on the other side of that ever-present frontier post.

Mr Caruana, 40, a self-assured conservative, has had a rapid rise. A London-trained lawyer, in a community where lawyers are the backbone of the establishment (there are abont 120 of them, one for every 250 inhabitants), he first won a seat among the 15 elected members of Gibraltar's House of Assembly to a by-election six years ago.

In 1992 he led the recently formed Gibraltar Social Democrats to form the official opposition and took them toto government to elections in Mey last year.

He arrived in power with the reputation of being a "dove" – a moderate with a less confrontational attitude towards Spain than his combative Socialist predecessor Joe Bossano.

"Compared with me, he *is* a dove," says Mr Bossano. But while Spanish officials view Mr Carnana with respect, he has been adopting a tough tone now that he is to government.

Unlike his earlier predecessor, the late Sir Josbua Hassan, Mr Carnana has not joined UK-Spanish talks on Gibraltar, insisting that Gibraltar itself will join the talks only if it can do so as a separate party in its own right. He will not allow the Gibraltarians to be treated as "squatters" or accept the Spanish position that Gibraltar is a bilateral issue between Madrid and London. At the same time, he refuses to enter into any negotiations on Spain's claim to sovereignty.

Spain dismisses these as impossible preconditions for a Gibraltarian seat at the annual talks. "The chief minister has painted himself into a corner," said a senior Spanish official.

"The people of Gibraltar are adamant that the transfer of sovereignty is simply not negotiable," retorts Mr Caruana. He is ready to discuss "bridge-building and fence-mending" and even suggests that "some EU formula" might eventually emerge that would be acceptable to all three sides.

But he will not accept any imposed diplomatic solution. In the meantime, Mr Carnana is ready to put forward proposals to London to the next few months for "modernising" Gibraltar's constitutional status – aiming at "a form of decolonisation without severing the linkage with the UK".

Independence is out. "We don't want it, and haven't asked for it," says Mr Caruana. But he wants to get rid of the more colonial aspects of Gibraltar's 1969 constitution, such as the special legislativa powers given to the governor, who is appointed by the UK, and the role allotted to the deputy governor as head of Gibraltar's civil service.

A future relationship, he believes, might be based on the "Guernsey model" – a status broadly similar to thet of the Channel Islands, although Gibraltar would maintain its position inside the EU. It would mean "dependency, without being part of the UK, but without being a colony either".

A referendum on a new constitution would be "an act of self-determination" and put paid to any debate on that score. It would also stop Spain from making "mischievous use" of Gibraltar's colonial status.

This, he says, could all be achieved without infringing the terms of the Treaty of Utrecht, which ceded the Rock to Britain 284 years ago, or Spain's right, under the treaty, to first refusal in the event of Britain relinquishing the territory.

But Mr Carnana also sees an alternative in making Gibraltar an integral part of the UK. This would give it a legal status similar to the Spanish North African enclaves of Ceuta and Melilla, which are both claimed by Morocco.

Britain previously rejected this option, which might have set a precedent for other colonies. But Mr Carnana believes it is worth discussing anew, now that Hong Kong has been handed over to China. "By all means, integration with the UK is most certainly one of the options which ought to be on the table."

Controversially, he says he would also be willing to discuss bringing Gibraltar into the orbit of the EU's customs union and valne-added tax, from which it has been exempted so far. "We would happily contemplate the possibility of giving that concession up," he says, arguing that it would remove one of the main reasons used by Spain for controlling border movements.

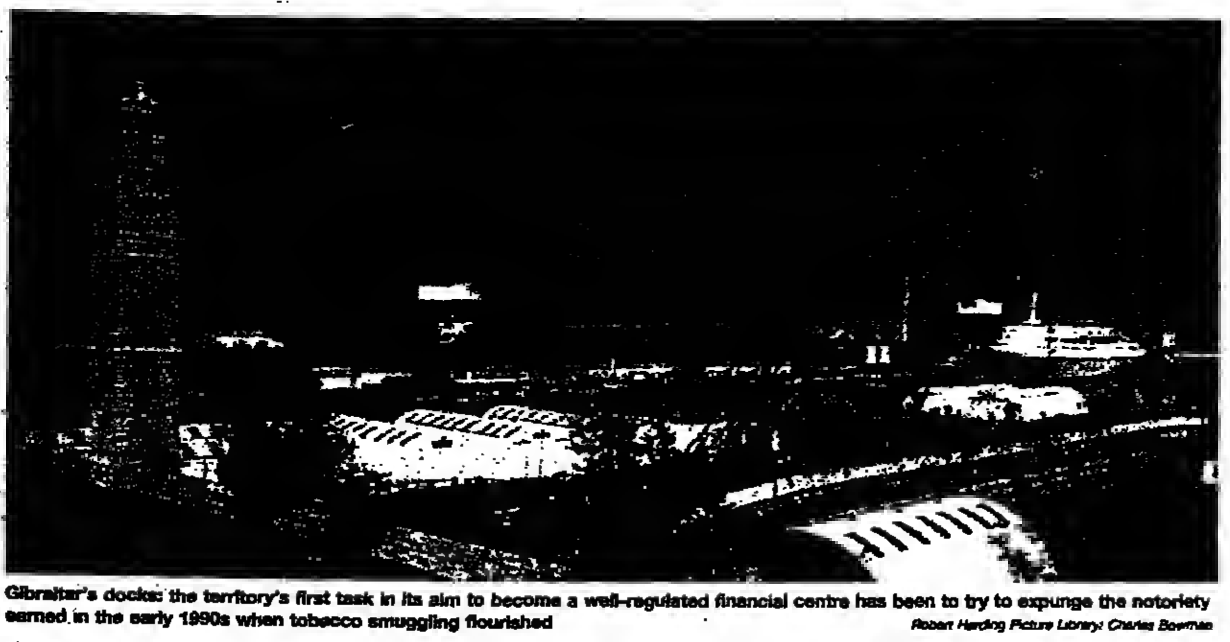
Shopkeepers might be aghast at the prospect of losing their dnty-free status. Bnt Mr Caruana argues that more tourists would flow in "if Spain would just behave in a civilised European fashion".

Mr Bossano would back him on integration, bnt not on the customs union or the possible advantages of joining it. He argues that the deal Britain has struck with the rest of the EU allowing it to maintain border controls also anthorises the Spanish to continue imposing controls on the Gibraltar frontier. Queues of cars at the border may have got ahorter since Gibraltar's change of government, but Mr Caruana says controls are still "unjustifiable" and "disproportionate". They are tightened or loosened in a "whimsical" pattern, he says.

Madrid's argument that the controls are linked to contraband activity is "nothing more than a pretence and a pretext", ha says. The aim is clearly "to put tha screws on our economic development".

But he is equally insistent that it is not gotog to work.

David White



Gibraltar's docks: the territory's first task in its aim to become a well-regulated financial centre has been to try to expunge the notoriety earned in the early 1990s when tobacco smuggling flourished

Robert Harding Picture Library/ Charles Bowman

THE MILITARY ROLE • by David White

Role as a strategic base begins to diminish

Since the early 1980s Britain has been cutting back its presence on the Rock

Gibraltar does not like it, but is having to come to terms with it. Its role as a military base, which has determined its whole history, has declined and is in the process of being further reduced.

Most Gibraltarians grew up in a place dominated by the UK ministry of defence. In the 1960s military spending made up two-thirds of the economy. But technology, the end of the Cold War and British defence reviews have finished that. The proportion is now below 10 per cent and still falling.

If Gibraltar clings to its military connections, it is because its very identity is bound up with them. If it were not for its strategic importance, it would not have become what it is today.

Its name – from the Arabic for Tarik's Rock – comes from a Moorish general. Britain, which first captured the Rock during the war of the Spanish Succession in 1704, would not have stayed so long if it were not a vital location. Its inhabitants are mainly descendants of camp-followers or fleet-followers. And it would be naive to think that Britain maintained its military presence to defend them. Their interests are a relatively recent consideration. In the second world war, Britain removed the civilian population so that it could run Gibraltar as a fortress.

The town and the Rock itself are redolent with military history: ramparts and batteries, English fortifications superimposed on Spanish fortifications, streets with names such as Bomb House Lane, Cannon Lane, Victualling House Lane and South Barracks Road. Just outside the old city walls, the Trafalgar Cemetery contains the poignant gravestones of officers who died of wounds or the "malignant fever". The towering limestone rock is riddled with more than 30 miles of tunnels, dating from the 18th century to modern times.

For imperial Britain, Gibraltar was an important link in its sea lines of communication. It played a vital role in both world wars, as a strategic base and coaling station for transportation to the eastern Mediterranean. It was a launch pad for the 1942 Allied landings in North Africa, and more recently a stop-over for ships and troops in the Falklands and Gulf campaigns.

But since the early 1980s Britain has cut back its presence. The naval dockyard went, then the infantry battalion sent out from the UK. From a strength of 1,800, the number of full-time military personnel has so far been reduced to about 680, mostly Royal Navy and Royal Air Force. This includes a regular company of the Gibraltar Regiment, which took over the duties of the resident battalion six years ago. The regiment, which ensures that Gibraltar can still count on a band and drums for ceremonial occasions, has another two companies of part-timers. Civilian defence personnel, now about 1,200, are due for further cuts. Gibraltar's slice of the annual defence budget, currently £58m, is due to be reduced to £45m by the turn of the century.

The post of Commander British Forces Gibraltar has been downgraded and is now held by a Navy commodore. The commander's traditional residence, The Mount, considered much too grand these days, stands empty.

The strategic defence review under way by the Labour government adds to the uncertainty. But Peter Caruana, Gibraltar's chief minister, hopes some of the cuts announced earlier may be reversed. "I think defence can be run down no further," he says.

Gibraltar still has berthing facilities for nuclear submarines, the RAF-run airfield, which was built during the Spanish Civil War across the isthmus, and a sensitive role as an intelligence listening post. The Strait of Gibraltar remains strategically important for Nato as the channel for reinforcing its southern flank from the Atlantic. But Nato has other resources for monitoring the entry to the Mediterranean, from the Spanish-US base at Rota near Cadiz and by satellite surveillance.

Spanish officials say that it would now be "wishful thinking" to attach strategic importance to Gibraltar, and that the proof is the MoD's own willingness to cut back its infrastructure.

Plans to scrap the Nato command which has up to now been located on the Rock have come as a further blow to the Gibraltar authorities. The command, GibMed, which acts as a communications centre and is largely British-financed, is due to disappear along with other so-called "fourth-level" headquarters in Nato's new streamlined organisation. Mr Caruana sees the change as "caving in to Spanish pressure", designed to remove an obstacle to Spain's future participation in the Nato command structure.

Although Spain became a Nato ally 15 years ago, it has stayed officially outside its military organisation and has maintained restrictions on naval and air movements in and out of Gibraltar. This means Nato warships may not sail directly between Spanish ports and Gibraltar, and military aircraft flying to and from Gibraltar airport have to avoid Spanish air space.

British and Spanish officials at Nato headquarters in Brussels are now engaged in negotiations to ease the prohibitions. Just as Spain had to open its border before it entered the European Community, Britain argues that Madrid must end its defence restrictions before becoming part of Nato's integrated military organisation. Madrid wants to fix terms for joining the new command structure by the end of the year.

Just before the Nato summit held in Madrid in July Robin Cook, the UK foreign secretary, threatened to block Spain's plans if military restrictions affecting Gibraltar remained. The Spanish authorities appear divided about how far to go in easing them. Foreign ministry officials in Madrid question whether Gibraltar now has the military value to justify a serious upset in Nato.

PROFILE Solomon Seruya

The worried voice of the business community

The senior Rock trader says that relations with Spain should be improved

Main Street, the narrow artery that runs through Gibraltar from one set of fortifications to another is the colony's Lombard Street, Whitehall and Bond Street rolled into one and set on a Lilliputian scale.

Mostly pedestrianised, the street runs past the territory's banks, the governor's residence, the chief minister's offices and virtually all of Gibraltar's main shops. Six of these shops – which sell top-of-the-range jewellery, perfumes and cosmetics – belong to Solomon Seruya.

As Gibraltar's politicians and chattering classes talk about self-determination and its financial community discusses new offshore ventures, Mr Seruya, a senior Rock businessman and a member of Gibraltar's government in the 1960s, represents the worried voice of Gibraltar's traders.

Calls for a new constitutional arrangement for Gibraltar involving integration with Great Britain fill the businessman with a great sense of foreboding.

In a community that passionately asserts its identity by insisting that Spain should be kept at arm's length, Mr Seruya's belief that relations with Spain should be improved amounts to extreme political incorrectness.

He says that his views are firmly rooted in realism and draw on the "adaptability" that has historically been Gibraltar's "main characteristic".

The Seruya family, resident in Gibraltar for some 260 years, opened up for business on what used to be known as Calle Real, the artery's Spanish name, in the middle of the last century manufacturing cigars and members of the clan have other shops on Main Street selling everything from curios and antiques to liquor.

Mr Seruya himself is more than a successful trader; a past president of the Chamber of Commerce, he was a member of the Gibraltar government between 1957 and 1969, running the economic development and the tourism departments and, thanks to his dual nationality, he was Israel's ambassador to the Philippines from 1976 and 1979.

"Our problem is not the constitution, it is relations with Spain," he says. "Spain has been reactionary and unimaginative because harassing the Gibraltarians will get Spain nowhere but we should be careful not to make things more difficult for ourselves."

Mr Seruya argues that cut-price shopping is Gibraltar's main attraction and that the overwhelming number of Main Street's customers enter the Rock across its land border with Spain.

Madrid can switch off the flow of visitors with the ease of turning off a tap and has, of course, done so in the past. There is a direct correlation between the length of the queues at the frontier post at La Linea and the volume of Main Street's turnover.

Business recently has been "difficult" in part because of the delays at the border and in part because the high sterling-peseta exchange rate has imposed a second blockade.

"The expensive pound has become a psychological barrier for Spaniards but it should not be," says Mr Seruya, "because Gibraltar still represents good value for money."

By adjusting the cost of imports from strong and weak currency zones and taking full advantage of the colony's duty free status, Main Street traders can sell any good at an average 20 per cent cheaper than its cost in Spain.

> 'A practical agreement could lead to an honourable status for Gibraltar in the 21st century'

The only problem is getting people to come across from Spain and judge for themselves.

Mr Seruya's believes that there should be free-flowing traffic over the land border, a development which he recognises lies in Spain's hand to grant or to deny. He also wants to see the implementation of a Madrid-London agreement for joint use of Gibraltar's airport and this development depends on the political will of the UK government.

Joint use of the airport, where Mr Seruya has a further two shops, would set the Main Street tills ringing because it would end flight restrictions imposed by Madrid and, more importantly, it would foster a new climate in which to search for solutions to the Gibraltar problem.

"The only way to break the present impasse is for the British government to make an all out effort to reach an agreement on the airport," Mr Seruya says. "A practical agreement will be a major confidence building exercise which could lead to an honourable status for Gibraltar in the 21st century."

Mr Seruya says he believes that what he calls "nationalistic manifestations" in Gibraltar could be potentially damaging because they could provoke rigid reactions from Spain.

He says that the British government would make a "serious mistake" if it were to make the question of constitutional change in Gibraltar the main issue of its forthcoming negotiations with Spain.

He argues that there is little point in gaining a deal on integration with the UK that could prompt Spain to close the frontier again as it did 30 years ago after Gibraltarians almost unanimously rejected the country's sovereignty claims.

"We are heading down the same road we travelled in 1968 and that leads to confrontation," says Mr Seruya.

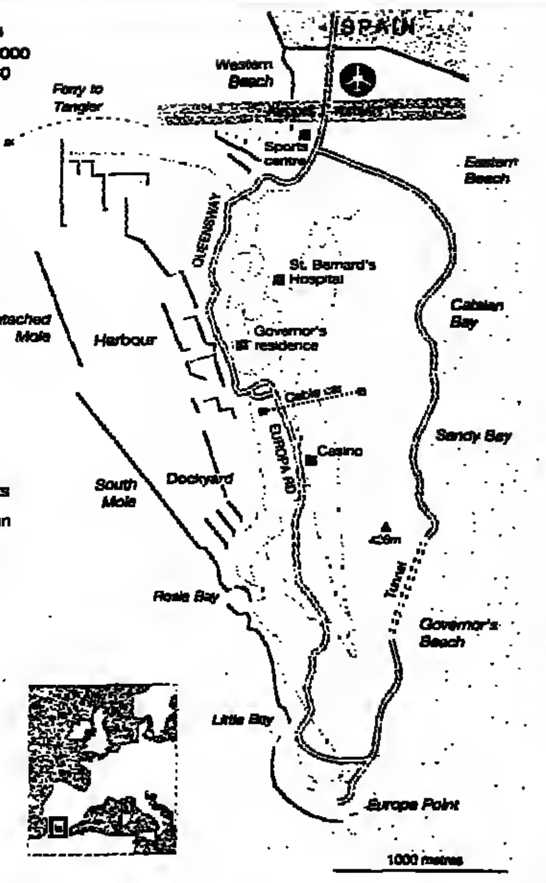
One aspect of the new constitutional arrangements which are currently being mooted by Gibraltar's self-determination lobby is that integration with the UK should include the Rock's acceptance of the European Union's rulings on Customs Union and therefore an end to the tax breaks that Main Street currently enjoys.

Such proposals fill Mr Seruya with horror. In Main Street's view, price differentials constitute Gibraltar's greatest asset. Whittling them down would be "suicide", he says.

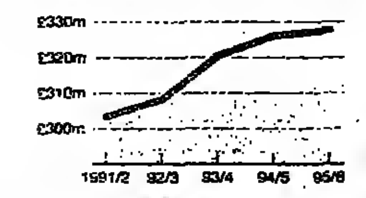
"We would end up as little more than a military museum."

Tom Burns

Area: 6.5 sq km
Population: 30,000 (including 23,000 Gibraltarians)



Status: British Crown colony. Part of European Union since 1973 but excluded from customs union, VAT and common agricultural and fisheries policies.
Languages: English (official), Spanish
Governor: Sir Richard Luce. Responsible for matters of defence, external affairs, internal security including police, and for ensuring financial and economic stability
Chief minister: Peter Caruana. Gibraltar government responsible for domestic matters
House of assembly: Gibraltar Social Democrats ... 8 seats. Gibraltar Socialist Labour party ... 7 seats
Visitors: Total entries 1996 ... 6.46 million
Gross Domestic Product



World trade 1996
Imports, cif £475m
Exports, fob £217m

Source: Gibraltar government

BUSINESS GUIDE

General

Time: GMT + 1 hr (GMT + 2 hrs from late March to late September).

Climate: Temperate with hot and dry summers, and fairly mild rainy winters temperatures vary between 10 and 29°C.

Getting there

Entry requirements: As for the UK.
Air access: Direct flights from London and Manchester operated by GB Airways.
National airline: GB Airways.
International airport: Gibraltar (GIB) is served by North Front, about 2.5km from town centre.
Surface access: Regular ferry services from Tangier; road access from Malaga.

Accommodation

Hotels: No offical rating system. Reservations should be made in advance especially during summer. Some hotels reduce rates Nov-Mar.

Getting around

Car hire: Available through local car hire firms and travel agents. UK International driving licence and evidence of insurance required. The British Automobile clubs AA and RAC have agents in Gibraltar.
National transport: Bus and taxi services available. Total of about 45km of roads. No railway network.

Public holidays

Fixed dates: 1 Jan (New Year's Day), 1 May (May Day), 25 Dec and 26 Dec (Christmas).
Variable dates: Commonwealth Day (Mar), Good Friday, Easter Monday, Spring Bank Holidey, Queen's Birthday (Jun), Late Summer Bank Holiday (Aug).

Working hours

Business: (Mon-Fri) 0900-1300 and 1430-1800. (Sat) 0900-1300.
Banking: (Mon-Thur) 0900-1530, (Fri) 0900-1530 and 1630-1800.
Shops: (Mon-Fri) Most shops open from 0900-1900 and some open from 0900-1300 and 1500-1900, (Sat) 0900-1300.

Telephone

Rates for calls from public telephone boxes dependent on time of day. International direct dialling facilities available to more than 75 countries. International dialling code: 350. There are no area codes.

Banking

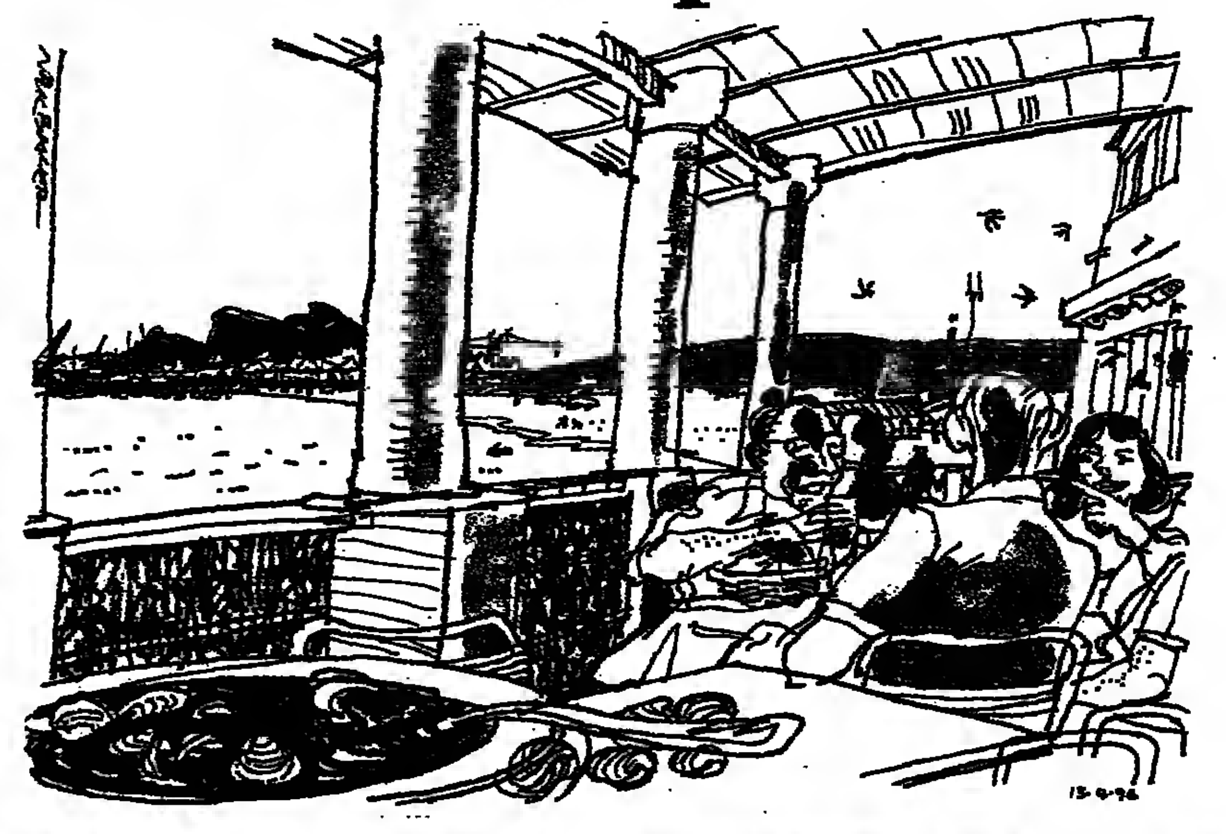
Some 24 banks operate in Gibraltar and about eight offshore banks.

Source: World of Information

TOURISM • by Tom Burns

The crown needs polishing

The territory's considerable tourist potential is not being fully exploited



Pater Garuana, chief minister, is pleased with what has been achieved so far in beautifying Main Street. But he must know hetter than most people that a lot more has to be done if people are going to visit Gibraltar for reasons other than cut price shopping and tax efficient banking.

The town'a main artary now has saplings planted along it, handsome litter bins, atreet lighting and signposts. Traffic has been banned from most of Main Street so that visitors are no longer required to dodge cars as they view the city centre.

Mr Caruana has more plans for pedestrian zones in order to create what he calls a "cafe etmosphere" in the old town. This would create a character distinguishing the Rock'a terraza bars from the bar ambience that is to be found in every village square of southern Spain: draught beer and flavoured crisps in place of *fino* and *tapas*.

Character, shaped by a distinctiva history, is what the Rock is all about and Mr Caruana is right to want to maka the most of it. He believes that the 5m day-trippers who cross into Gibraltar avery year are primarily drawn to the Rock because it is "an interesting place to visit". Few would argue that this last imperial remnant is anything other than intriguing.

It is because of this that Gibraltar's authorities would do well, for example, to order a facelift for the Trafalgar cemetery which lies just outside the massive 16th century south gate that Spain's emperor Charles V had built to defend the town against Arab invaders.

The fortification went on to serve the British against Spanish attackers and it is now guarded by life-size models of 18th century foot soldiers. Tha cemetery, where the buried include thoae who ware fetally wounded in Nelson's final sea battle is sadly unkempt.

Gibraltar's government is justifiably anxious to overhaul the upper Rock where the famed Barbary apes scamper around and visitors can explore the network of tunnels that British army engineers built in order to rain down shot and shell on besieging Spanish troops. "Windows" ware punched through the Rock for the batteries and the Rock's best view of Spain is down the barrel of gun.

The upper Rock, Mr Caruana admits, is "poorly managed". Access to this limestone fist that towers above the straits is along pot-holed roads and it is mostly controlled by taxi drivers who charge high fees for a guided tour.

Getting there is nevertheless worth it, for the sight of the swirling channel, where the Mediterranean and the Atlantic meet against the rearing backdrop of tha North African coast, is awesome.

Gibraltar seems to be too casual ebont its potential assets in the tourism sector and does little about or ignores them altogether. If any other place in the world had had the luck to be the scene of the soliloquy that James Joyce imaginad for Molly Bloom, they would certainly have done something about it. The Rock is prim ebout auch goings on, however, and Joyceans will search in vain for an echo of Molly's panting.

If erotic literature does not suit the Gibraltarian temperament then second world war heroism surely ought to. But except for the odd monument and the photographs in soma of the territory's pubs there is littla to satisfy the visitor's curiosity.

The exodus that Gibraltarians endured during the war, when they were summarily shunted off to St Helena and Ulster to make way for servicemen, is a stirring tale as is the story of their return after 1945.

The Gibraltar Museum is a worthy institution hnt it lacks tha funds and possibly the ambition to tell the story properly.

However, Mr Caruana and his tourism department have to battle with the lack of co-operation from Spain, a country whose tourist industry knows just how to make sure millions of holidaymakers come back for more sun, sand and sangria year after year. In the present political climate there is no Spanish interest in helping to build up tourism on the Rock.

Malaga'a airport receives 7m visitors a year whereas Gibraltar airport, which is subject to Spanish flight restrictions owing to Gibraltar's refusal to implement an agreement on its joint use, receives 120,000. With an agreement in place, Gibraltar could receive about 1m passengers a year.

Gibraltar also loses out on the cruisa liner business because of difficulties at its frontiar with Spain. It receives some 60 cruise liners a year against the 200 or so that dock in Malaga and the 400 that look in on Madeira. The "floating hotels" that have sailed in for the Ryder cnp have anchored off Algeciras, across the bay from Gibraltar.

Under normal circumstances, Gibraltar would be one of southern Europe's top theme parks. It has the geographic location, the historical tradition and the hrand name to attract all the investment required to create a huge aquarium, costume dramas galore and a host of "white knuckle" rides that would give the most daring stunt man pause for thought. More than 12m people spent their holidays between Malaga and Cadiz, within two hours of Gibraltar.

The irony is that on the Rock itself traval agencies offer all-in trips to Isla Mágica, a theme park that opened in Seville this summer, and to Port Aventura, which opened south of Barcelona two years ago and will soon be selling packages to the theme park that is being built near Benidorm.

THE SPANISH HINTERLAND • by Tom Burns

Standing on its own two feet

Increasingly self-sufficient, the Rock no longer counts on Spain for business

In November 1937, in the middle of the Spanish Civil War, fox hunting was resumed in the hinterland of Gibraltar by the Britons and the sprinkling of Spanish aristocrets who belonged to the Royal Calpe Hunt.

Outraged Lahour party members of parliament immediately asked Anthony Eden, the then foreign secretary, whether the decision by the Rock's governor to obtain permission from General Franco for regular meets on Spanish territory amounted to British recognition of the insurgent forces that were in the process of overthrowing the Spanish republic.

Mr Eden replied that the governor had simply sought to improve the amenities of those under his responsibility for it was "undesirable to confine the resident population of Gibraltar within the limits of the colony owing to its restrictions of one and a quarter square miles mostly of rock".

The foreign secretary went on to point out that "over 1,000 British subjects live on the Spanish side of the frontier and enter Gibraltar daily for their work".

Sixty years on, the mood of cross-border co-operation has changed and the Royal Calpe, which hoasted the King of Spain and England as its joint patrons, has long left Spanish foxes in peace for it was disbanded when the second world war hroke out.

Many more Gibraltarians live on the Spanish side of the border than in the 1930s – almost all rich Gibraltarians have a home in Sotogrande – but talk among the Rock's less affluent residents ignores the amenities of the Campo da Gibraltar hinterland, bypasses the good offices of the governor and focuses on the Rock's right to self-determination.

At the fifth annual Gibraltar "national day" earlier this month Denis Matthews, a former school teacber and the leader of the Rock'a all-party self-determination group, called for decolonisation next year "because we can no longer be told we are the last colony in Europe". His thoughts on what form of integration he wants with the UK were unclear as he addressed some 2,000 cheering supporters, but it was all-too evident that Spain formed no part of the constitutional equation.

What has also changed is the fact that Gthraltar is no longer the economic hub of the Spanish territory beyond its frontier as it was in the days when the Calpe hounds were let loose on the hinterland's spectacularly beautiful countryside.

The Rock, ever more self sufficient as it seeks to develop a global financial offshore centre, no longer counts on Spain for business and the Campo area, across the border, has had to stand on its own feet since 1968, when the frontier was sealed by Franco and it could no longer export its labour to Gibraltar.

The few Gibraltarians who say that the Rock's priority is to rebuild bridges with Spain rather than to integrate with the UK point out that the boot is now on the other foot. Capital investment continues to pour into the Campo's road infrastructure, to the port of Algeciras and to housing developments in the area's villages and resorts

Sport and the arts this week have underscored Spain's ability to even the balance. The Calpe Hunt's masters, its secretaries and its treasurers were predominantly British officers; the first Ryder Cup to be staged in Europe outside the UK is a Spanish affair that takes place in the municipality of San Roque, an increasingly wealthy town – its sprawling area is four times the aize of the Rock – that keeps tha keys to Gibraltar's gate on a velvet cushion inside a glass vase in its town hall. Spaniards fled to San Roque when Britain seized Gibraltar at the beginning of the 18th century.

In Gibraltar's hid to climh on to the Ryder Cup bandwagon, it has hired Spanish tenor José Carreras; to the annoyance of Gibraltar nationalists the costly tickets for the open air concert Mr Carreras will give on the Rock during the golf tournament are priced in pesetas.

In La Linea de la Concepción, which was originally built to garrison Spanish troops on the border with Gibraltar, a large oil painting in the entrance hall of the town hall depicts a voluptuous woman. Posing in the manner of Goya's nude Maja, she receives a bowl of exotic fruits from a servant against a backdrop of Gibraltar's towering limestone rock.

Nobody on the Rock is in any mood to fall for the charms of the lady from La Linea hut José Antonio Fernández Pons, the town's mayor whose mother was a *llanita*, a Gibraltarian, is relaxed about the border dispute.

"We are tied to Gibraltar's fate and sealing the frontier was as terrible for us as it was for the *llanitos*. They get mad when the *Guardia Civil* slows down traffic at the frontier hut so do we beceuse we get chaotic quaues as well," says Mr Ferńndez Pons. "We are in the same boat and condemned to get along together so its ridiculous to live back to back."

With more than 60,000 inhabitants, La Linea has twice Gibraltar's population bnt it has limited funds for it lacks the huge development area controlled by neighbouring San Roqne. The mayor, a former primary school headmaster and a member of the ruling centre-right Popular party, has recently wrung snbstantial subsidies from Madrid to bring the council's running costs out of the red and he is keen to spruce up La Linea "because what we really are is a shop window".

Unlike a number of Catalan and Basqua nationalists who attended Gibraltar's "national day" and backed the colony's stand on self-determination, Mr Ferńndez Pons was not invited. He says he would not have gone if he had been. "I helieve Gibraltar ought to be Spanish," he says.

Does that mean annexation? "Of course not. Gibraltar can have all the aell-rule it wants; that doesn't worry us at all. The point is the present situation is stupid because we could all be better off."

Securing a niche

Continued from page 1

Peter Montegriffo, Gibraltar's trade and industry minister, sees the financial sector, which now makes up some 15-20 per cent, increasing its share to one third of GDP.

A further one third, ha says, should come from tourism, with the remainder in the public sector and other activities such as shipping and bunkering.

Mr Montegriffo argues that while Gibraltar's geographical situation is to its advantage – including the lifestyle ettractions of the nearby region – its political difficulties with respect to Spain shonld not be an obstacle.

Most of the business Gibraltar is seeking, he says, is not dependent on Spain. "We do not see the Spanish equation being any sort of block to the prospects that we have in mind," Mr Montegriffo says.

On the other hand, Spain and its large expatriate community would provide obvious markets for Gibraltar.

In tourism, the evolution of relations with Spain has a more direct influence. With limited air connections, Gibraltar's tourists are now mostly day-visitors crossing the border.

They range from stray Costa del Sol holidaymakers to off-dnty Spanish policemen going across to buy cigarettes, petrol, sugar or chocolates.

A debate is now under way about the Rock's duty-free status and the extent to which it has worked to Gibraltar's advantage. To the horror of the colony'a struggling traders, Mr Caruana has raised the idea of scrapping the concession, one of the main grounds for the Spanish controls which hold up the flow of visitors across the border.

"The day Gibraltar has value-added tax, the queues will disappear," says a senior Spanish diplomat. Many Gibraltarians doubt this, however.

British officials are concerned about the degree to which Spain could obstruct Gibraltar's ambitions in the finance and tourism sectors if no progress is made towards a long-term political settlement. If efforts in both these sectors failed, supporting the Rock would cost the UK £100-£200m a year.

However galling it may be for the Gibraltarians, the main economic opportunities lie in areas in which Spanish goodwill could make all the difference. Prospects will alwaya be that much more limited as long as the stalemate continues.

Europe's most respected companies

For the fourth year running, top managers have singled out the companies best exemplifying the qualities most admired in a business undertaking. Tony Jackson examines the findings of a Europe-wide poll of chief executives and analysts

In the world of big corporations, reputation can be a slippery thing. This year's list of companies most respected by Europe'a aenior managers has some pnints in common with last year's: in particular ABB, the perenniel favourite, still tops the poll. But four of this year's top 10 were not ranked last year, while three of last year's top 10 have dropped out.

Perhaps the most striking reversal involves the two oil giants Shell and BP. This year, BP came joint second with Nestlé, whila Shell came 11th. In 1994, the first year of the survey, Shell came third and BP came nowhere.

Before looking at the details, it is worth noting two new features in this year'a survey. The poll included the views of leading brokers' analysts, as well as chief executives. And there was a new section covering the growing and dynamic world of central Europe.

ABB, the Swiss-Swedish engineering group, has headed the poll since its inception. The inclusion of central Europe has, if anything, strengthened its position. ABB was an early investor in the region, and is credited in central Europe with having transformed the companies it acquired.

Whether ABB will retain its lead in future is an interesting question. In the eyes of chief executivea, it bas verioue strengths. It is seen as having e strong, well thought out strategy, a rohust and human corporate culture, and an imaginative approach to the process of innovation.

But its biggest asset may well be the charismatic figure of its chairman Percy Barnevik, who is specifically identified in the poll as an ontstanding husinese leader. He has recently stepped hack from day-to-day management of ABB, having taken on the job of running Investor, the controlling company of the Swedish Wallenberg dynasty.

On the other hand, corporate reputation can be a mattar of time-lags. The rise of BP versus Shell can be partly explained by a run of bad publicity on Shell's part, involving the Brent Spar

Rank	Company	Country	Sector
1	ABB	Sweden/Switzerland	Engineering, metals
2 =	British Petroleum	United Kingdom	Oil, gas, mining
2 =	Nestlé	Switzerland	Food processor
4	British Airways	United Kingdom	Transport, transport services
5	Tesco	United Kingdom	Retail, distribution
6	AXA-UAP	France	Insurance
7	BMW	Germany	Auto, aero engineering
8	Carrefour	France	Retail, distribution
9	Unilever	Netherlands/UK	Food processor
10	Daimler-Benz	Germany	Auto, aero engineering
11	Royal Dutch/Shell	Netherlands/UK	Oil, gas, mining
12	Allianz	Germany	Insurance
13 =	HSBC	United Kingdom	Banks, financial institutions
13 =	British Telecommunications	United Kingdom	Telecommunications, communications
15	Deutsche Bank	Germany	Banks, financial institutions
16	Siemens	Germany	Electronics, electrical components
17	Roche	Switzerland	Health, household
18	Ericsson	Sweden	Electronics, electrical components
19	SAP	Germany	Business services, computers, office equipment
20	L'Oréal	France	Health, household
21	Barclays	United Kingdom	Banks, financial institutions
22	Michelin	France	Chemicals, rubber, plastics
23	VA Technologie	Austria	Engineering, metals
24	Electrolux	Sweden	Electronics, electrical components
25	Atlas Copco	Sweden	Engineering, metals
26 =	Lloyds TSB	United Kingdom	Banks, financial institutions
26 =	Marks & Spencer	United Kingdom	Retail, distribution
28	Ahold	Netherlands	Retail, distribution
29	Nokia	Finland	Electronics, electrical components
30	Inditex	Spain	Textiles, clothing
31	Securitas	Sweden	Business services, computers, office equipment

BP steals the limelight from Shell

ABB heads the poll again but there are four newcomers in the top 10 this year

environmental controversy, human rights in Nigerie and so forth. In addition, BP bes improved its reputation for surefooted manegement, with its chief executive John Browne described hy one respondent this year as a "visionary manager".

Thus, BP is described by one respondent as having achieved a global operation while avoiding tha minefields of ethics and the environment. It is also described as having achieved a dramatic turn-around and having delivered improved performance year on year thereafter.

But perhaps the most striking difference between the two companies lies in their share prices. In the past five years, BP has outperformed Shell by some 50 per cent, having lagged behind for some years. But in stock market terms that re-rating is long past. The two share prices have performed roughly in line for two years now, and still BP'e reputation rises in the eyes of its peers.

Equal second with BP this year was Nestlé, up from third place the year before. Its virtues are seen as solid and unremarkable – dare one say it, as Swiss. It is praised for the quality of its products, the soundness of its strategy and the strength of its image.

Then comes British Airways. This is always a strong performer in the poll, if only because its highly puhlic transformation from state-owned company to worldwide market leader still lives in the memory of respondents.

Next, in fifth place, comes Tesco. This is a striking performance from a company which, in previous surveys, never made the rankings at all. Since other new entrants include Carrefour in eighth place and Ahold of the Netherlands at 28th, this seems to show that the strengths of European retailing are becoming more widely eppreciated.

Thus, Tesco is rightly regarded as having transformed its image and performance in recent years. It has moved from the position of underdog in UK food retailing to being seen as the leader in quality and innovetion.

Carrefour, on the other hand, is seen as having expanded successfully overseas. It is also praised for its strong and consistent profit performance in the low-margin hypermarket sector.

One notahle casualty in tha retail sector ratings is Marks & Spencer. In the first survey three years ago, it came joint first. Then it slipped to equal fifth, then seventh, now 26th. In view of its continued high reputation in the UK, this seems surprising. Survey respondents, of course, do not generally comment on why companies are left out. One might conjecture that with an international audience, Marks & Spencer still loses points for its past slip-ups in overseas expansion.

Sixth after Tesco comes the French insurance giant Axa-UAP. Like Tesco, Axa is a new entrant to the rankings. Perhaps insurance is a self-contained sector, easily overlooked hy executives elsewhere. But Axa's aggressive expansion strategy has received wide publicity. Its chief Claude Bébéar is praised accordingly in the survey – particularly since, one analyst noted, he has managed to expand without the shares underperforming.

Other companies in the top 10 are familiar names: BMW, down from fourth to seventh, Unilever, steady in ninth pleca, and Daimler-Benz at 10th, unranked the previous year but 12th the year before.

One sector not strongly represented is electronics. In a separate question on the most respected companies worldwide, chief executives voted by a fair margin for Microsoft and General Electric of the US. Perhaps correspondingly, Europe's electronics giants fare badly. Siemens is dnwn this year from sixth place to 16th, Ericsson from 11th to 18th.

The one exception – perhaps consistent with the dominance of Microsoft in executives' minds – is tbe German software group SAP. It comes in at 19th, heving been previously unranked. Given the company's growth and market strength on both sides of the Atlantic, one might guess that it will improve its standing in future years.

Besides their views on companies, executives and analysts were asked for opinions on matters of broader policy. What challenges faced companies in their sectors? What did they expect from government, on issues such as European integration and the single currency?

As described by respondents, the challenges vary hy sector hut have certain consistent themes. These are linked in turn to expectations and hopes for government policy. It is generally expected that deregulation and competition will intensify within Europe. It is also thought that this will lead tn further price deflation, industry consolidation end changes in market leadership.

Similarly, executives in central Europe expect further inroads by multinationals in their markets. Taken together with the general European view of the world's most respected companies – consisting of Microsoft, General Electric and Coca-Cole, with ABB trailing fourth – this suggests

Continued on page 2

EUROPEAN BUSINESS CHALLENGES • by Tony Jackson

East and west agree to differ

Changing technology is seen by all sectors as a big business challenge

Europe's business leaders, it seems, have plenty to worry about these days. Asked about the main challenges to their businesses, they cited global competition, overcapacity, technological change and the single European currency. They said many of their markets were mature, and it was correspondingly hard to add value and raise prices.

In central Europe, however, the tone was markedly more upbeat. Executives spoke of opportunities: of rising living standards and consumer demand, of export potential, inward investment and joint ventures.

In the west, responses varied sharply across sectors. There were also subtle differences between the perceptions of analysts and executives.

In three industries especially, overcapacity was seen as a problem: automotive, banking, and paper and packaging. In autos, analysts viewed overcapacity as massive, and CEOs accepted there would have to be further rationalisation of the European industry.

Adding to that was the pressure of competition from outside Europe, especially Japan. Executives talked of the need to match those competitors on price, quality and service. Analysts commented that European manufacturers had to develop products for which they could charge premium prices. Meanwhile, they were making insufficient returns on invested capital.

In banking, analysts again saw overcapacity and overcapitalisation as the chief problems. They also focused on the need to reduce staff, and the related problem of managing technological change.

Executives, however, were more concerned about the specifics of the business: how to retain clients, for instance, and how to foresee new forms of risk. They also foresaw more product-based competition. On one point, they and the analysts agreed: that the arrival of the single currency would be a headache.

In paper and packaging, there was general agreement on the need for industry consolidation in the face of overcapacity. Executives commented on the need to improve efficiency in the face of low-cost competition, and analysts pointed to the industry's poor environmental reputation. As with autos, it was agreed that the industry needed to improve its returns to shareholders.

Paper is, of course, a notoriously cyclical business. This was a theme repeated in two other industries, oil and chemicals. In the oil business, executives stressed the prnblem of managing tbe petrochemicals cycle. In the chemicals sector, too, the cyclical nature of margins was a problem, made worse hy the level of competition from the US and Asia.

In the oil industry, executives also worried about persistently poor profitability in refining, both in Europe and the US. They also spoke of the challenge of managing political risk in emerging markets.

The analysts took more of an outsider's viewpoint. They talked of how oil companies had to manage their reputation – doubtless with Shell in mind. They also highlighted the restructuring in the market, and the need to form the right alliances.

The theme of global competition was picked up in the engineering sector. Executives and analysts both pointed to the need to manage the growth potential of Asian markets. Executives also echoed the complaint of the auto makers: the problem of developing products with higher added value.

In other sectors, many of the pressures came from political and regulatory change. Executives in the construction industry spoke of the impact of public spending cuts; in telecoms, electricity and water, of the effects of deregulation: and in insurance, of deregulation and demands for greater accounting disclosure.

In some cases, the effect of these changes was to put pressure on companies to diversify. Construction executives spoke of the need to broaden their activities overseas. So did the utilities.

One of the biggest challenges across sectors, however, was seen as changing technology. This was particularly marked in the industry at the centre of it, electronics. Analysts stressed the task of managing rapid innovation and short product cycles. Executives pointed to the difficult trade-off between speed and flexibility on the one hand, and economies of scale on the other.

In three industries overcapacity was seen as a problem

Another obvious sector under pressure from new technology is telecoms. Others, perhaps less obvious, are utilities, where companies have the opportunity in exploit their connections to homes and offices, and retailing and insurance, where executives talked of changes to the distribution structure.

The other recurring theme in retailing was the maturity of markets, weak consumer spending and the permanent search for better quality products at lower cost. On the other side of the coin, drinks and tobacco companies talked of market decline, consumer resistance to price lncreases and the need to stimulate demand.

It was bere that central and eastern Europe offered the greatest contrast. Analysts expected the auto industry to be boosted by the rise in disposable incomes.

Drinks and tobacco companies said greater prosperity should mean a further switch from local to international – that is Western – brands.

Other sectors expecting strong growth included insurance, health and household, media, advertising, oil and gas and retailing. However, there were caveats.

In engineering, executives pointed to the continued need to improve quality. They also said that growth would be modest and competition more severe. Analysts commented on the importance of environmental issues, which also cropped up in the paper sector.

In retailing, executives said there was a risk that consolidation would be hindered by government curbs to protect small operators, while there would be heightened competition from Western retailers. The risk of foreign competition was also raised in telecoms, banking and insurance.

However, the view from the East was on balance upbeat. Executives looked for further alliances, joint ventures and takeovers in their sectors. Above all, they showed an optimism about growth in bome and export markets rarely sbared by their Western counterparts.

BUSINESS ENVIRONMENT • by Tony Jackson

Call to reduce the red tape

The desire for deregulation was evident in all the countries covered in the survey

What do Europe's chief executives want from their governments? Three things, the survey suggests: less bureaucracy, a freer labour market and fewer social costs linked to employment.

The desire for deregulation was evident in all the countries covered in the survey. One Swiss chief executive officer called for "less bureaucracy, more privatisation, fewer state/EU rules". An Austrian CEO wanted "deregulation and reduction of red tape".

Analysts questioned in the survey were less concerned about deregulation, putting more stress on labour market flexibility. They were, however, quite specific in their recommendations.

In electricity, they said, the EU timetable for competition should be speeded up. Retail price maintenance should be abolished. There should be no more subsidies to state banks. There should be fewar restrictions on media ownership. The distribution of natural gas should he deregulated.

On labour market flexibility, chief executives were – perhaps surprisingly – less concerned tban analysts.

However, they were still in broad agreement, with the issue of flexibility raised by executives in such disparate economies as Sweden, Portugal and Ireland.

Belgian, Austrian and Turkish executives called for lower social costs. However, some executives felt that social policies should have a liberal tinge. It was left to a UK respondent to call for abolition of the social chapter and the minimum wage.

Chief executives were also asked specifically for their views on two central issues: the effect on business of further European integration over the next decade, and the impact of a single European currency.

It was generally agreed that further integration would have far-reaching effects on competition and market positions. Two thirds of executives felt this would be a good thing, if only because it would streogthen European companies against US and Asian competitors.

Specifically, they said, increased competition would push prices down, thus expanding the market and forcing further consolidation within industries. This would in turn help productivity, efficiency and specialisation. The result would be more inward investment and – with luck – more jobs.

However, there were caveats. The pressure would be felt most keenly by medium-sized companies, and some countries seen as less flexible, such as Spain, might suffer. And as a Portuguese executive put it, integration would be painful "for businessmen without a strategy."

Also, it was pointed out, tha EU had to be open to the rest of the world if the full benefits of Integration were to be realised. Even within tha EU, there were those who worried about protectionist forces within France and Germany.

As for the euro, opinion was more evenly divided. The majority were in favour of it, but even its supporters felt a little uneasy about the scope for disruption.

The obvious benefits were identified. Currency risk and transaction costs would be reduced. Accounting procedures would be simplified, and investment decisions made easier. Price structures, for both buyers and sellers, would be made transparent. It would be easier to compare company results.

On the other hand, price transparency would increase competitive pressures. There would be an initial rise in administrative costs, even if that would be more than offset in the long run. Strategies on sourcing and manufacturing would have to be re-examined. There would be tha cost of changing equipment, anch as check-out scanners and slot machines.

The effects were naturally seen as different across sectors. The most profound changes were expected in banking, though much preparation would also be needed in retailing and the pub trade. Oil and gas, it was pointed out, would be relatively unaffected, since products are priced in dollars.

Integration and the euro apart, is there nothing executives want governments to do, rather than stop doing? Not much, it seems.

A few respondents – less than 10 per cent in total – were in favour of government funding for infrastructure projects, for training or for promotion of information technology. But on balance, it seems the issue of industrial policy, which in Brussels still has some adherents, is dead as far as Europe'a business leaders are concerned.

Instead, executives wanted governments to concentrate on tbeir proper functions. In particular, they saw it as sensibla that national governments should make their policies compatible across Europe – beginning with one obvious step, the harmonisation of excise duties.

Finally, thay looked to governments to create the conditions to support their activities. One chief executive put It in a nutshell. Governments, he wrote, should "modernise and globalise the institutions relavant to business".

Relative importance of management characteristics

	Chief executives	Analysts
1st	Is most innovative in its approach to changing market conditions	Is most innovative in its approach to changing market conditions
2nd	Has the highest quality products and services	Best balances the interests of shareholders, customers, employees and the community
3rd	Best satisfies its customer	Makes effective use of new technology
4th	Has the strongest corporate brand image	Has the highest quality products and services
5th	Best balances the interests of shareholders, customers, employees and the community	Best satisfies its customer

Sector rankings – chief executives' poll

Sectors – weighted scores		
■ **Auto, aero engineering**		
1	Smiths Industries	UK
=2	BMW	Germany
=2	Fiat	Italy
=2	Volkswagen	Germany
■ **Banks, financial institutions**		
1	Deutsche Bank	Germany
=2	Banco Bilbao Vizcaya	Spain
=2	Barclays	UK
■ **Chemicals, rubber, plastics**		
1	Michelin	France
2	Hoechst	Germany
3	ICI	UK
■ **Electricity, water**		
1	RWE	Germany
2	Imatran Voima	Finland
3	National Power	UK
■ **Electronics, electrical components**		
1	Electrolux	Sweden
2	Siemens	Germany
3	Ericsson	Sweden
■ **Engineering, metals**		
1	ABB	Sweden/Switzerland
2	Atlas Copco	Sweden
3	British Steel	UK
■ **Food processors**		
1	Nestlé	Switzerland
2	Unilever	Netherlands/UK
3	Tate & Lyle	UK
■ **Health, household**		
1	Beiersdorf	Germany
2	Roche	Switzerland
3	Glaxo Wellcome	UK
■ **Insurance**		
1	ING	Netherlands
2	Allianz	Germany
3	AXA-UAP	France
■ **Oil, gas, mining**		
1	British Petroleum	UK
2	Total	France
3	Royal Dutch/Shell	Netherlands/UK
■ **Retail, distribution**		
1	Tesco	UK
2	Carrefour	France
3	Ahold	Netherlands
■ **Telecommunications, communications**		
1	British Telecommunications	UK
2	KPN	Netherlands
3	Telefónica	Spain
■ **Transport, transport services**		
1	British Airways	UK
2	P&O	UK
3	Lufthansa	Germany

PROFILE Tesco

Winner of popularity stakes

Tesco's gleaming white aisles are packed on a Monday evening – men in business suits, women in power suits, and harried parents with screaming babes.

But it was not always so. Just a few years ago, those upwardly mobile, professional shoppers would not have been seen dead in Tesco, then widely considered to be little more than a step above the no frills discounters.

It is the company's transformation from dingy food emporium into the UK's most popular supermarket group which has catapulted it into the top 10 of Europe's most respected companies.

The transformation took years and, according to insiders, is still not yet complete. Popular myth has it that Tesco began the change in 1977 when it became the first supermarket to ditch Green Shield Stamps, the cumbersome predecessor of today's high-tech customer loyalty programmes.

In reality, the biggest steps towards change were made much later, In 1993, when Tesco decided to launch a range of cut-price products under its own name to tackle the perception that it had begun to ignore value in its efforts to modernise.

It was the beginning of a process which saw Tesco move its flagship brand from an economy/value position, which gave it little credit for quality, to one where the group is now directly challenging the big brand owners with its own rival products.

To some extent, Tesco had little choice but to change further than it had done in the competitive markets of the 1980s. It had abandoned the "pile it high, sell it cheap " approach, which had won it so many loyal followers in the 1970s, in an attempt in appeal more in mid-market customers.

But it was still the number two supermarket lagging J Sainsbury, the blue blood of the sector. And its traditional heartland of price-conscious consumers was being eroded by tha arrival of discount food retailing in the forms of Aldi, Netto and Kwik Save. Furthermore, the food retail market was becoming increasingly competitive with the revival of supermarket chains such as Asda and Safeway.

"Tesco recognised it could no longer just simply emulate Sainsbury's," says Tony MacNeary, retail analyst at NatWest Securities. "It had in tackle the discounters and launch a value range, as well as a family-oriented range."

Then came the launch of a variety of store formats to complement the superstore, the city centre store, Tesco Metro, the convenience store, Tesco Express, and, most recently, the hypermarket, Tesco Extra, which other food retailers have been forced to imitate. And Tesco revolutionised the UK food sector when it became the first to introduce a customer loyalty programme, offering a wealth of information on the shopping habits and lifestyles of its customers.

Mnch of the change has been credited to the group's current chief executive Terry Leahy, who as marketing director was the man behind the launch of the own label range and the Tesco Clubcard loyalty scheme. "The transition really began when Terry Leahy was given full rein to get the market position right," says Mr MacNeary.

Now that Tesco is the number one grocer in the UK, the danger is that it might lose some of the hunger which drove it to the top in the first place. Although Mr Leahy remains, Tesco has lost a significant asset in its street-wise, deal-making chairman Lord MacLaurin, who retired this year, and who presided over the company's various transformations.

Nevertheless the market has faith in Mr Leahy, whose zealous focus on Tesco and its strategic positioning appears in remain undimmed. His ambition for the 21st century is to transform Tesco into a sort of one-stop shopping mall, offering not just food bnt a variety of convenience services from banking to childcare.

Peggy Hollinger

PROFILE Atlas Copco

A tough act to follow

Giulio Mazzalupi has a tough act to follow at Atlas Copco, the highly regarded Swedish manufacturing group.

The Italian-born engineer, wbo earliar this year succeeded Michael Treschow as the company's chief executive, has to prove that he can follow in his predecessor's footsteps by making earnings enhancing acquisitions – particularly in the US – while maintaining enviabla margins in one of the world's most competitive industrial sectors.

Mr Mazzalupi has moved quickly to make his mark. Within weeks of taking over the top job this Spring, he announced plans to buy Prime Service, the second largest rental equipment company in the US, for $900m.

The deal – the largest in Atlas Copco'a 124 year history – will give Atlas a large foothold in a sector which has grown at about 20 per cent a year since 1991.

Even though Atlas warned that the deal would dilute earnings by up to 5 per cent this year and next, the company's most traded A shares rose Skr5.50 to Skr217 on the day it was announced.

Industry analysts say such positive reaction reflects market confidence that Mr Mazzalupl will not only take up where Mr Treschow left off, but that he could be more aggressive still in pushing up earnings per share.

"Normally the shares would go down on news of such a big takeover, but the opposite happened because this management is so highly rated," according to one leading engineering analyst in Stockholm.

That rating reflects the steady growth in Atlas earnings per share, which have increased from just over Skr3 per share in 1992 to Skr10.56 in 1996.

Last year operating profits at the company – part of the Wallenberg industrial empire – rose 8 per cent to SKr3.07bn (SKr2.84bn) on modestly increased sales of SKr25.1bn (SKr24.5bn).

That was no mean achievement in broadly flat markets, and points to Mr Treschow's determined efforts to keep a lid on operating costs. He has now taken that cost cutting zeal to Electrolux, the Swedish domestic appliance manufacturer, which could certainly benefit from a dose of Atlas medicine.

Electrolux investors clearly hope his performance at the power tool and compressor manufacturer will he repeated. Profit margins there have climbed from around 3 to 12 per cent in the past five years.

Mr Mazzalupi is no stranger to the Treschow doctrine, having himself worked his way up through the company since 1971 but Prime Service could prove an indigestible morsel to swallow, and some cynics believe Atlas overpaid for the business, coughing up 24 times estimated 1997 profits.

So making Prime Service's assets sweat might not be easy in the short term, particularly given the lack of cost synergies between US-based distribution and Swedish-based engineering manufacturing. Still, the strategy of using Prime Service's overseas distribution network to roll out more Atlas products looks sensible, even if the payback may be delayed.

In the meantime, Atlas will have to concentrate on cost-cutting measures in other parts of the group to maintain margins in the face of mixed European demand and volatile currency movements.

Mr Mazzalupi, speaking as the group unveiled a 16 per cent increase in first half profits last month, appeared optimistic. "We have seen that the trend in Europe has been significantly better in the second quarter, and we believe that will continue during the second half of 1997," he said.

Orders, moreover, have risen 14 per cent in recent months with significantly better demand in Japan, China, Latin America, Australia and southern Europe.

Tim Burt

BP steals the limelight from Shell

Continned from page 1

that European executives, in both west and east, are looking ahroad for their models of excellence.

In practice, this means America. No Asian companies or executives were named in the survey, with the exception of those few, such as Daewoo of Korea, which have made their mark in the east. The roll of honour of business leaders in the survey bears this ont. It inclndes figures as diverse as Ferdinand Piech of Volkswagen, Bernard Arnault of LVMH and Martin Taylor of Barclays.

But it also includes more than its share – in a European survey, at least – of American executives. John Reed of Citibank is there, praised as a visionary. So is Jack Welch of General Electric, who earns especial mention for wrioging double-digit earnings growth from an apparently unfashionable conglomerate structure.

But the real winner – paradoxically, given its focus on European corporations – is Bill Gates of Microsoft. One chief executive votes for him as "staying on top of the most innovative sector". Microsoft itself is simply described by another chief executive as "the company everyone fears most".

Here, as elsewhere, the survey is partly a reflection of the hull market in equities. No chief executives, it seema, can be highly thought of unless he or she has presided over a rising share price. At some point, the bull market will come to an end. Perhaps the survey will then have added valna, in highlighting which executives are thought by their peers to be showing excellence in bad times as well as in good times.

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CENTRAL EUROPE • by Virginia Marsh

Adjusting to competition is the biggest challenge

Exporters are among the most respected local companies in central Europe

Chief executives in central Europe say their biggest challenge is adjusting to competition. They favour foreign investmant and European Union membership, they believe their governments tax them too much, and, like their western counterparts, they single out ABB as a most respected company.

With joint ventures or subsidiaries in virtually every former eastern bloc country, the Swiss-Swedish engineering group is one of tha most active foreign investors in the region.

Central Europe was included in the survey for the first time this year and responses were received from chief executives in Bulgaria, the Czech Republic, Hungary, Poland and Slovenia.

In Poland, ABB won plaudits for its "decentralised approach" to business and for its transformation of group companies there, such as Zamech Elblag, the engineering plant which makes steam and gas turbines that it took control of in 1990. In the Czech Republic, where it has invested in electrical engineering companies in Brno and in other industrial towns, it was nominated for its "entrepreneurial culture".

Exporters are among the most respected local companies, as are those utilities and banks that have adopted more customer-friendly services, and the industrial concerns that have survived against the odds.

The approach of KRKA Novo Mesto, the Slovenian pharmaceutical company, to developing a long-term presence in international markets was considered outstanding, as was its main local rival LEK Ljubljana's penetration of the competitive US market.

In Poland, banks were voted the best at satisfying customers – Citibank, Polski Bank Rozwoju, Bank Handlowy, PKO and BRE were all nominated. Poles and Czechs also considered banks and financial institutions among the best at dealing with ethical issues.

Matav, Hungary's telecommunications monopoly, now owned by Ameritech of the US and Deutsche Telekom, was considered to bave responded well to moving from state to private ownership. Among other things, It had become "customer friendly".

CEZ Praha, the Czech electricty utility, was nominated for making the most impressive recent improvement in its performance. It was credited with permanently reducing pollution levels, modernising old equipment and enhancing profitability.

Driving force: Skoda marries quality and price

In Poland, Stocznia Szczecinska, the shipyard, was nominated as the most respected company, with Krzysztof Piotrowski, its president, entered in the business leader section. The company gained recognition for becoming an important exporter and operating well despite "the serious problems of shipyards" and the fact that it was in a "difficult industry and a demanding market". It was also praised for achieving its goals using business skills, rather than political means.

In the Czech Republic, the two Skoda companies were singled out as examples of partnersbips tbat bad worked well and for their efforts to marry quality and price. Skoda Plzeň, the biggest Czech engineering company, had performed well on the stock market. Skoda Automobilová, the car manufacturer owned by Volkswagen, was ranked as tbe country's best strategic alliance or joint venture, receiving credit for "changing the concept of new car production to meet market requirements in a very sbort time".

Other partnerships mentloned were tbe Renault joint venture Revoz Novo Mesto in Slovenia; Siemens' ventures Iskratel and Siemens in Slovenia and Hungary respectively; and Daewoo FSO in Poland.

The South Korean company, which plans to invest $1.1bn in FSO and its affiliates, was praised for improving car quality and for making an early start in developing tbe attractive automotive market.

In Bulgaria – a country that suffered a severe economic crisis last year – one chief executive officer nominated in the most respected company category the "faithful foreign investors, those who have kept faith in Bulgaria's ability and willingness to reform".

The survey highlights the importance attached to technological improvement and new technologies. In the most successful start-up category Optimus, a listed Polish computer company with a strategic alliance witb Microsoft, was entered.

In the same category, Hungary's Westel 900, one of the country's two GSM mobile telephone operators, was entered for its "extremety fast development". Its rival Pannon GSM's similarly fast progress was put down partly to its high levels of customer service.

While praising high-tech companies, CEOs from the region listed access to new technologies and weak infrastructure, including telecoms, as among their greatest challenges.

The challenge most cited, bowever, was competition – increased competition from foreign companies at home and tbe need to improve competitiveness of tbeir products in world markets.

Most respondents favoured their country's membership of the EU, althougb there was realism that this would bave painful side effects. Czech CEOs believed entry into the EU would have to be preceded by greater industrial restructnring and would initially bave a negative impact, although in the longer term they said membership was likely to lead to greater prosperity.

Their Hungarian counterparts, anticipating the increased competition, said co-operation with multinationals would be of "paramount importance". Chief executives from Bulgaria, where reform is less advanced than in the other countries surveyed, seid joining the EU would be beneficial to the evolution of democracy, law and order, and free trade.

From their governments, respondents across the region wanted lower taxes and better and more stable legal frameworks. In Poland, the message was that taxes should he reduced, simplified and stabilised. In Hungary it was suggested that tax legislation be made "fair and normative" and executives there also voiced concern over corruption and the black economy. in Poland and Bnlgaria, executives said privatisation sbould be accelerated.

Foreign investment was favoured and most were optimistic there would be more investment in their countries.

Slovenia and Bulgaris were tbe least positive on tbe prospects for foreign investment. In Bulgaria a more complete legal framework and stabilisation of the financial system and the currency were seen as prerequisites. In Slovenia, respondents said there was too much political interference in the economy, the country was too small and the promise of it being the gateway to the former Yugoslav markets had not yet come true. This latter point explains why executives there called on the government to improve contacts with rump Yugoslavia.

In the Czech Republic, Hungary and Poland, the prospects for investment were regarded as better. In Poland, the rate of foreign investment was linked to Infrastrncture improvements, faster privatisation, continued macro-economic stability and further integration into international structures such as the EU.

In Hungary and the Czech Repuhlic there was confidence there would be foreign participation and investment, with executives noting this was a means of obtaining new technologies. In the Czech Repuhlic, foreign investment was seen as an important driver behind faster restructuring and modernisation of the economy. In Hungary – which has received more foreign investment than any other country in the region and where reform is more advanced – executives said there should he well-developed investment incentives.

Nominations by country – central Europe

Company	Sector	Country
ABB Polska	Manufacturing	Pol
Atlas	Manufacturing	Pol
Bank Handlowy	Banks, financial institutions	Pol
CEZ Praha	Utilities	Cze
Chemapol Group	Trade, distribution	Cze
Coca-Cola	Manufacturing	Pol
Elektrim	Trade, distribution	Pol
General Electric	Manufacturing	Pol
Gorenje Velenje	Manufacturing	Sln
Herend	Manufacturing	Hun
ING	Banks, financial institutions	Hun
ING	Banks, financial institutions	Pol
KRKA Novo Mesto	Manufacturing	Sln
LEK Ljubljana	Manufacturing	Sln
NBP	Banks, financial institutions	Pol
Nestlé Polska	Manufacturing	Pol
Nokia	Telecommunications, communications	Hun
Pannon GSM	Telecommunications, communications	Hun
Pivoverna Union Ljubljana	Manufacturing	Sln
Siemens	Manufacturing	Hun
Skoda Automobilová	Manufacturing	Cze
Skoda Plzeň	Manufacturing	Cze
Stocznia Szczecinska	Manufacturing	Pol
Tsentromet Ead Vratsa	Other	Bul
Westel 900	Telecommunications, communications	Hun
Zelmer	Manufacturing	Pol

PROFILE Axa-UAP

Hunter landed the big one

It was the business acquisition that sent tidal waves across the insurance sector in France, shook up the rest of Europe, and rippled tangibly around much of the rest of the world.

In November last year, Axa announced the latest transformation that would convert it into one of the world's largest financial groups, with $63bn in annual revenues and $500bn in funds under management.

The immediate reason was a "merger" with UAP, one of its French competitors, which was privatised in 1994. But it was clear that word was a polite eupbemism for takeover, and that UAP was simply the latest in s long series of acquisitions carried out over a number of years.

Unlike many of France's better known companies, Axa was never owned or overtly influenced by the state, and nor has it existed in anything like its current form over many years. More than almost any other business, it is the outcome of the ambitions of one man, chairman Claude Bébéar.

Most of Mr Bébéar's contemporaries at the prestigious Ecole Polytechnique in the late 1950s opted for lofty jobs in the fast track of the civil service, with their eye eventually on political power or the prospect of "parachuting" painlessly from a senior advisory role to bead of a well-known company.

Mr Bébéar, by contrast, accepted a different sort of contract: be joined a small insurance mutual company based in Rouen as the designated "dauphin" to succeed its chairman, on condition that he worked his way up through the business. He retrained as an actuary, and spent a formative early period broadening his international perspectives in its Canadian subsidiary.

A man who developed a passion for animal hunting, and notably for big-game shoots in Africa, he wasted no time applying his personal skills to professional life once he took the reins of power at Mutualle Unies in 1982. There was a bitter fight to gain control of Compagnie du Midi. UAP was only the most recent of a number of quarries during the 1990s, following such previously successful targets as Equitable of the US, Wing On in Hong Kong, and National Mntual in Australia.

Mr Bébéar is a committed Catholic wbose company insured the Pope's visit to France this summer, and who has launched a number of initiatives to help the young unemployed. He has built a reputation for masterminding a series of colourful gestures: bringing his top management together for team-building exercise on the Great Wall of China, the Orient Express and in the Nigerian desert.

He has become known as an advocate of a number of government reforms including that of the bealth care system. He triggered public controversy when be suggested that private companies sucb as his should take over parts of the state service, generating substantial additional business for him in the process.

He says be is beginning to think of retirement in three years' time, aged 65. But sucb comments from the champion of French insurance leave people sceptical.

First, there are questions about how far a company built and influenced so much hy one man will be ahle to survive without him, not to mention whether he will really be able to take the psychological leap and withdraw from management. He already has his eye on future acquisition targets.

Second, there is debate about how far the purchases made in the past few years could cause severe indigestion over the next few. That could prove a significant challenge for him and for his unnamed eventual successor.

Andrew Jack

Leaders of the top five: from left to right Percy Barnevik (ABB), John Browne (British Petroleum), Helmut Maucher (Nestlé), Robert Ayling (British Airways) and Terry Leahy (Tesco)

BUSINESS LEADERS • by Virginia Marsh

Vision and courage lead the field

Analysts and CEOs single out innovation as a top management characteristic

Europe's most respected business leaders are visionary and courageous, have a strategy and apply it, and demonstrate a deep understanding of their industry and markets.

Thus, Ferdinand Piech of Volkswagen is praised for "grasping the nettle", presumably a reference to the German carmaker's decision to settle its long-running dispute with General Motors of the US over alleged industrial espionage earlier this year.

Pasquale Pistorio of SGS Thomson, the Franco-Italian semiconductor maker, is nominated for having "stuck with a revenue plan even when revenue was dropping in the early 1990s". The Sicilian-born engineer, a champion of Europe's semiconductor industry, fashioned a single company out of the unlikely merger of SGS Microelectronics of Italy and Thomson Semiconductors of France in 1987 and took it to flotation in 1994.

John Browne of BP is credited with visionary management – the company was one of the first oil companies to realise the growing importance and sensitivity of environmental issues and has managed to balance these with maintaining strong profits. Mr Browne was also praised for pulling off the "innovative BP/Mobil downstream merger", a $5bn deal which combines the companies' European fuels and lubricants operations.

Also nominated by the oil and gas industry was Total's Thierry Desmarest. Although the company has raised eyebrows in Washington and been criticised by human rights groups for working in countries such as Iran and Burma, his peers praise him for his clear vision, adding he is also "extremely focused on the core business".

Other qualities most-admired are the abilities to reverse the fortunes of ailing companies and to grasp and focus on key issues. Jürgen Dormann of Hoechst, the German chemicals group that lists in New York this month, for example, was singled out for "leading an extraordinary repositioning from a weak base". Appointed chairman three years ago, he is leading the group through a complex unbundling that divides it into 13 separate companies, after replacing the German board with an international one, and beginning to slash costs.

Percy Barnevik, the long-time chief executive of ABB, was praised for his "great work capacity and creativity" and for the "speed and completeness of ABB's integration". Although remaining at ABB as non-executive chairman after nine years as CEO, Mr Barnevik's main job in future will be heading up Investor, the main holding company of Sweden's Wallenberg industrial empire, and spearheading its planned expansion abroad.

Also in Scandinavia, Lars Ramqvist of Ericsson was credited with "acting on a tough vision". The Swedish telecommunications group has achieved annual earnings growth of about 50 per cent since 1993, largely on the back of the explosive growth of mobile telephony. Some 40 per cent of the world's mobile phone users are hooked up to Ericsson systems.

The survey shows that analysts, in particular, respect chief executives who exhibit a strong "shareholder orientation". Claude Bébéar of Axa-UAP, the giant insurance group, for example, is credited with "building a large company without the group's shares underperforming". Since becoming chairman in 1982 of Mutuelles Unies, Axa's predecessor, he has converted an obscure mutual company based in a provincial French town into one of the world's largest financial groups, culminating in the recent merger with UAP.

Similarly, Aad Jacobs of ING, the acquisitive Dutch banking and insurance group, is considered "shareholder friendly". Martin Taylor of Barclays, nominated in the banking section along with Citibank's John Reed ("visionary"), had "created shareholder value". Mr Reed, head of the New York-based bank since 1984 has created a globally known brand name. Cees van der Hoeven of Ahold, the Dutch supermarkets group that has expanded successfully in the US, "delivers on his promises".

There is also recognition of those successful in particularly demanding industries or environments. Bill Gates, nominated in the technology sector, was praised by another chief executive for "staying at the top of the most innovative sector". Thomas Schmidheiny, chairman and controlling shareholder of Holderbank, the world's biggest cement company, was credited with "strong leadership and clear vision of industry trends", while Jack Welch of General Electric had "improved earnings in a conglomerate environment".

The survey also suggests CEOs sometimes admire unorthodox approaches to problems. Bernard Arnault of LVMH, the French luxury goods group, was nominated for his "effective undermining" of the planned £24bn Guinness and Grand Met merger. In a controversial move, Mr Arnault has sought to block the deal and engineer a three-way merger including Moët Hennessy, his drinks subsidiary. His tactics have included investing heavily in building up LVMH stakes of more than 11 per cent in the two companies.

Analysts and CEOs differed in their ranking of important management characteristics. Both singled out the most important single characteristic as the ability to be innovative in approaching changing market conditions.

After that analysts rated teams that best balanced the interests of all stakeholders – shareholders, customers, employees and the community – and those that made effective use of new technology.

CEOs said the second and third most important characteristics were those with the highest quality products and services and that best satisfied customers. Balancing stakeholders and use of technology were much further down their list and they also attached more importance than analysts to a strong corporate brand image.

However, out of eight characteristics, both groups put maximising the potential of employees and dealing well with ethical and environmental issues at the bottom of their lists.

Europe's most respected business leaders

■ **Auto, aero engineering**	
Ferdinand Piech	Volkswagen (Ger)
■ **Banks, financial institutions**	
John Reed	Citibank (US)
Martin Taylor	Barclays (UK)
■ **Beverages, tobacco**	
Bernard Arnault	LVMH (Fra)
■ **Business services, computers, office equipment**	
Bill Gates	Microsoft (US)
■ **Chemicals, plastics, rubber**	
Jürgen Dormann	Hoechst (Ger)
■ **Construction, property**	
Thomas Schmidheiny	Holderbank (Swi)
■ **Electronics, electrical components**	
Jack Welch	General Electric (US)
■ **Engineering, metals**	
Percy Barnevik	ABB (Swe/Swi)
■ **Insurance**	
Claude Bébéar	AXA-UAP (Fra)
■ **Oil, gas, mining**	
John Browne	British Petroleum (UK)
■ **Retail, distribution**	
Erwin Conradi	Metro (Ger)
Cees van der Hoeven	Ahold (Neth)

Nominations for country category

Company	Sector	Country
ABB	Engineering, metals	Swi
Acerinox	Engineering, metals	Spa
Ahold	Retail, distribution	Net
Assicurazioni Generali	Insurance	Ita
AVL	Auto, aero engineering	Aus
Axa-UAP	Insurance	Fra
Banco Popular	Banks, financial institutions	Spa
Banco Português de Investimento	Banks, financial institutions	Por
Banco Santander	Banks, financial institutions	Spa
Bank of Ireland	Banks, financial institutions	Ire
Barilla	Food processor	Ita
Bayer	Chemicals, rubber, plastics	Ger
BCP	Banks, financial institutions	Por
Bertelsmann	Media, advertising, printing	Ger
BML	Retail, distribution	Aus
BMW	Auto, aero engineering	Ger
British Petroleum	Oil, gas, mining	UK
British Telecommunications	Telecommunications, communications	UK
Cadbury Schweppes	Food processor	UK
Caixa Geral de Depósitos	Insurance	Por
Carrefour	Retail, distribution	Fra
CRH	Construction, property	Ire
Daimler-Benz	Auto, aero engineering	Ger
Danone	Food processor	Fra
Delhaize	Retail, distribution	Bel
Delta	Food processor	Gre
El Corte Inglés	Retail, distribution	Spa
Ericsson	Electronics, electrical components	Swe
Fiat	Auto, aero engineering	Ita
France Telecom	Telecommunications, communications	Fra
Garanti Bankasi	Banks, financial institutions	Tur
Getronics	Electronics, electrical components	Net
Glaxo Wellcome	Health, household	UK
Hennes & Mauritz	Textiles, clothing	Swe
IKEA	Retail, distribution	Swe
Jeronimo Martins	Retail, distribution	Por
Kleinwort Benson	Banks, financial institutions	UK
Lafarge	Construction, property	Fra
Lego	Entertainment, leisure	Den
L'Oréal	Health, household	Fra
Luxottica	Health, household	Ita
Marks & Spencer	Retail, distribution	UK
Mercedes Benz Turkey	Auto, aero engineering	Tur
Mercury Asset Management	Banks, financial institutions	UK
Nokia	Electronics, electrical components	Fin
Novartis	Health, household	Swi
Philips	Electronics, electrical components	Net
Piaggio	Auto, aero engineering	Ita
Portugal Telecom	Telecommunications, communications	Por
Repsol	Oil, gas, mining	Spa
Roche	Health, household	Swi
Royal Dutch/Shell	Oil, gas, mining	Net
Saffa	Health, household	Ita
SAP	Business services, computers, office equipment	Ger
Scottish Hydro-Electric	Electricity, water	UK
Siemens	Electronics, electrical components	Ger
Simoldes	Chemicals, rubber, plastics	Por
SmithKline Beecham	Health, household	UK
Snamprogetti	Engineering, metals	Ita
Solvay	Chemicals, rubber, plastics	Bel
Sonae	Diversified holding company	Por
Statoil	Oil, gas, mining	Nor
Telecel	Telecommunications, communications	Por
Tesco	Retail, distribution	UK
UCB	Chemicals, rubber, plastics	Bel
Union Crédit de Batiment	Banks, financial institutions	Fra
VA Stahl	Engineering, metals	Aus
VA Technologie	Engineering, metals	Aus
Valeo	Auto, aero engineering	Fra
Veba	Oil, gas, mining	Ger
Volkswagen	Auto, aero engineering	Ger
Wienerberger	Construction, property	Aus
Wolford	Textiles, clothing	Aus

METHODOLOGY • by Yvonne Fletcher

How the surveys were conducted

There are a number of innovations in the fourth year of the survey

This is the fourth year that Price Waterhouse and the Financial Times have conducted a survey to find out which are Europe's most respected companies. While retaining many elements of previous surveys this year's exercise is a departure from the 1996 format.

There are a number of innovations. The scope of the survey has been significantly expanded by the introduction of two additional surveys alongside the existing survey of chief executives of companies based in western Europe. The two new studies are: a poll of chief executives of central European companies and a poll of investment analysts.

The main survey continues to be based on companies appearing in the FT500, which lists Europe's largest quoted companies ranked according to market capitalisation. Other international and national rankings were used to supplement the core list. For the first time, a strictly limited number of chief executives of the most significant subsidiaries of non-European multinationals operating in Europe were also canvassed for their views. State-owned enterprises, private and quoted companies are all included in the sample of some 1,800 or so companies.

In general terms, the questionnaire for the main survey took a much stronger sector focus and the design also reflected a greater emphasis on business issues.

An invitation to nominate the most respected business leaders in each sector was also incorporated into the questionnaire. Questions were designed to reflect contemporary business issues, such as the European economic and monetary union (Emu); further integration within Europe; the role of governments in improving the competitiveness of European industry within and outside Europe; and the challenges facing companies in central and eastern Europe.

The poll of investment analysts was based on a set of highly ranked analysis featured in the 1996 Extel Rankings of Investment Analysts. Only those analysts covering European industry sectors were included in the survey. The questionnaire for investment analysts mirrored in part the questionnaire sent to chief executives in western Europe to enable some comparisons to be drawn. Investment analysts and chief executives from western Europe were asked a range of questions about companies in their sector and the issues facing companies in their industry. These questions included nominations within each sector for the best performing companies on a number of attributes the list of which includes: most innovative in its approach to changing market conditions; has the highest quality products and services; strongest corporate brand image. Also on a sector basis, chief executives and analysts were asked to provide the names of the companies which best demonstrated: effective corporate strategy; the most impressive improvement in performance; and the most outstanding management performance.

Investment analysts were specifically asked to comment on performance measures: the criteria which forms the basis for recommendations to clients. In addition, there were questions on investor relations – how companies could best improve their relationships with the investor community and their choice of companies demonstrating effective investor relations.

The poll of chief executives in central Europe was run as a separate exercise and the corresponding questionnaire designed around the characteristics of the business community in the region. This questionnaire, unlike the others, was focused mainly on countries rather than on sectors. Questions were included on start-up companies, joint ventures and strategic alliances and asked for views on foreign investment, their country's prospects for joining the European Union and which government measures would most benefit the business community in their country.

Eighteen countries were included in the survey of chief executives in western Europe and five countries in central Europe. The number of industry sectors for the main survey were revised this year and reduced. For example automobiles/trucks and parts became automotive and aeronautical engineering, and construction and property were grouped together.

As in previous years, efforts were made to make sure countries were represented fairly in the database with each country represented broadly in proportion to its contribution to European GDP.

The final results reflect answers to different questions – it is possible for companies to do well in a sector but not to feature on other lists. Compiling the results was a two part-process: first the responses to a number of different questions were aggregated. These were then weighted by a factor that took account of the size of the respondent's sector and the response rate within that sector.

While the evolution of the survey methodology over the years places strict limitations on the effectiveness of making year on year comparisons of the results, it is interesting to note that as far as the overall table is concerned the results have shown a fair degree of consistency over the years. In an effort to publish as much data as possible some non ranked data have been introduced.

For example, the full listing of nominations for companies perceived as among the most respected within their country.

PROFILE Siemens

Wake-up call for 150th birthday

Siemens, the German electrical engineering and electronics group, received a wake-up call late last autumn.

On one dramatic day in November the share-price plunged after chairman Heinrich von Pierer warned that profits in 1997 would be flat. He seemed to confirm investors' worst fears that not enough was being done to cut costs and refocus on growth areas at one of Germany's – and the world's – biggest companies.

That experience has led to a renewed push by Siemens towards reorganisation around core businesses and an attempt to transform the corporate culture with the emphasis on innovation and shareholder value. One small, but telling, consequence of last November's experience was the installation of an electronic display of Siemen's current share price at the entrance to the group's Munich headquarters and in workers' canteens.

The changes come in an important year for Siemens – this year it is celebrating its 150th birthday. In 1847, in a Berlin back-street, Werner von Siemens and Johann Georg Halske founded what has now become one of the world's oldest industrial companies which makes everything from cellular phones to computer chips and power plants.

Within just a few years of its birth, the company had embarked on the international expansion and big industrial projects which have come to characterise it today. In those early years, Werner von Siemens busied himself with delivering pointer telegraphs to Java, laying underwater telegraph cables between islands in south-east Asia and linking London with Calcutta via the Indo-European telegraph line.

Today, international growth is the most important driving force behind the company's expansion. The group now has 386,000 employees worldwide, and sales this year are expected to exceed DM100bn for the first time, driven entirely by growth outside Germany.

The company has grown into an empire with around 250 business fields, encompassing activities such as power generation and power transmission, information systems, health care, transportation, and communication systems. Mr von Pierer thinks that Siemens now stands for "resilience, innovation, reliability, customer orientation and local commitment".

Total orders outside Germany this year are expected to be more than DM70bn, or almost three-quarters of total business. Asia and north and south America are the regions where Siemens is growing most quickly – one-fifth of its business is in the Americas and it has 50,000 employees in the US alone. One important recent deal for the company was being chosen as part of the consortium to supply generators and turbines to China's massive Three Gorges project.

The reverse side of this international expansion has been a contraction of the group's German workforce. Like so many of Germany's big companies, Siemens is burdened by the country's notoriously high labour costs. As a result, following the wake-up call last November, Mr von Pierer announced 6,000 job cuts in the German operations, to match a similar reduction a year earlier.

Siemens has also launched a three-point programme to restore its financial fortunes. This so-called "top" programme emphasises productivity, innovation and growth. The group has been keen to avoid simply cost-cutting – a route followed by some other German companies – as the only route to improved financial success, emphasising growth as well. According to Mr von Pierer, Siemens wanted to avoid "saving itself to death".

The results of the programme have included an increase in productivity last year of 8.5 per cent and a further improvement of at least 9 per cent expected this year. Although profits are still forecast to remain flat at around DM2.5bn this year, Siemens is forecasting a strong rebound in 1998.

The company has also taken concrete steps to restructure, including the acquisition of AEG Electrocom from Daimler-Benz and the sale of units considered too small or not part of the group's core business – including its defence electronics activities and its dental equipment business.

Graham Bowley

PROFILE Microsoft

The company feared the most

At the Davos World Economic Forum in February, Bill Gates took the opportunity to upbraid European business for its technological backwardness. He was astonished, the boss of Microsoft said, by how little Europe used software.

European executives seem to be taking notice. This year, Microsoft is voted the world's most respected company, pushing last year's winner, General Electric, into second place.

Third comes Coca-Cola. Fourth comes ABB, which last year came equal second with Microsoft. Thus, three of America's biggest corporations by market value dominate the world rankings from a European perspective.

Doubtless, Wall Street's remarkable strength in the past year has had something to do with this. At the latest count, General Electric's market value stood at $136bn, Microsoft's and Coca-Cola's at $98bn and $90bn respectively. Indeed, all three companies were praised in the survey for their ability to create shareholder value.

That apart, executives tended to admire Microsoft and GE for similar qualities. Both companies were seen as highly innovative and good at managing change. Microsoft was also praised for its concentration on the customer and its powerful branding.

In this respect, Microsoft was seen as similar to Coca-Cola, whose brand strength was described as "unassailable".

As for shareholder value, there may be room for caution. Coca-Cola's stock has underperformed Wall Street by 20 per cent in the past few months, GE's by 10 per cent. Even Microsoft shows signs of running out of steam.

Microsoft is a company that evokes strong responses from any business audience.

Best known for its Windows personal computer operating system software, as well as for the wealth of Bill Gates, chairman and chief executive, Microsoft dominates one of the most dynamic industry sectors in the world.

Described by one chief executive as "the company everyone fears the most", Microsoft's recent moves into Internet publishing have been interpreted as a threat to media companies. With its efforts in personal finance software and electronic commerce, Microsoft is regarded as a challenger to retail banks.

In reality, Microsoft is determined to remain focused on its primary mission of developing innovative software. Yet the company's intense competitiveness means that it cannot be ignored by anyone that might stand in its path.

Among respondents to the survey, Microsoft was most admired for its ability to cope with change. This no doubt reflects the company's awakening to the importance of the Internet, less than two years ago, and its subsequent success in launching Internet browser and communications software.

Again the myths are bigger than reality. Microsoft was well tuned to the Internet long before it staged its entry into the browser software market. Moreover, its success in this new field has been achieved as much through marketing alliances as it has through technology innovation.

Yet within the computer industry, Microsoft is both revered and detested. Among its fans, Microsoft is the ultimate example of the success of American capitalism. A company formed by two young men in their early 20s, Microsoft won its spurs as the provider of the old DOS PC operating system and demonstrated that a "garage-shop" could become an industry giant.

However, Microsoft's detractors insist that it saps the innovative strength of the software industry because it has become so big and rich, with cash resources of about $9bn.

For example, few venture capitalists are now willing to fund software companies that intend to go head-to-head in competition with the industry behemoth.

Yet Microsoft is one of the biggest spenders in the computer industry on research and development. With an annual budget of about $2bn for research and development, the company's research laboratories lead the world in the development of speech recognition, speech synthesis and computer vision – technologies that are expected to change radically the way the next generation of personal computers is used.

Microsoft's latest focus is on "simplicity", or making personal computers much easier to use. This reflects Mr Gates's determination to expand greatly the market for his company's products among consumers and businesses that have yet to adopt PC technology.

Beyond PC software, Microsoft is also bullying its way into the corporate computing environment with software for corporate computer systems.

At the same time, Microsoft is targeting consumers with products ranging from a dinosaur doll that responds to computer commands to the new version of its Windows system, due next year.

The company is also expanding its horizons with Windows CE, a new version of Windows designed to run on hand-held computers, personal organisers and cable TV controllers. With its acquisition of WebTV, which brings the Internet to subscribers' home PCs via cable TV systems, Microsoft is also aiming to expand its territory.

Perhaps the most telling result of the survey of global companies, however, was the opinion of respondents who said Microsoft had demonstrated its ability to sustain its performance. If they are right, Microsoft will remain the dominant force in the computer software market for many years to come.

Louise Kehoe

Most respected companies in the world

Rank	Company	Country	Sector
1	Microsoft	US	Business services, computers, office equipment
2	General Electric	US	Engineering, electronics
3	Coca-Cola	US	Beverages, tobacco
4	ABB	Swe/Swi	Engineering, electronics
4	British Airways	UK	Transport, transport services
4	Nestlé	Swi	Food processor
7	Intel	US	Engineering, electronics
8	British Petroleum	UK	Oil, gas, mining
8	Daimler-Benz	Ger	Auto, aero engineering
8	L'Oréal	Fra	Consumer goods
8	Royal Dutch/Shell	Net/UK	Oil, gas, mining

Source: All tables in this survey Price Waterhouse/FT

INVESTOR RELATIONS • by Tony Jackson

Be open and honest, say analysts

The concept of shareholder value is making headway in European corporations

For European chief executives, impressing your peers is one thing. But how do you impress the stock markets? What makes for good investor relations?

The question was put to analysts responding to this year's survey. In essence, they identified four main elements.

First and most important, they said, good investor relations involve being open and honest. The message has to be consistent, and transmitted in good times or bad.

Second, investor relations staff must be up to their job. This falls under two headings, analysts said. They must be competent, in the sense of returning phone calls and understanding their companies' operations. They have to be credible: they must have access to top management, and speak with authority on their behalf.

Third, senior management must be accessible. Fourth, they must be clearly involved in the investor relations process, and committed to it. This, the analysts said, helped create a pro-active approach within the organisation, and enabled investor relations staff to speak with the necessary authority.

This last point was exemplified by the Irish building materials group CRH. Its chief financial officer Harry Sheridan, one analyst commented, led "a consistent investor relations effort, without the hype".

Other companies which gained special mention were spread across sectors and countries. In chemicals, Bayer was described as reliable and well-informed, while DSM of Holland was praised for objective, regular communication.

Ericsson was described as "always fully updated and very competent", while Enso Gutzeit, the Finnish forest products company, gave good access and responded quickly. In the UK, BP – a rising star, as elsewhere in the survey – was credited with giving "a very clear message on what the company is about", and being "as open as possible".

Analysts were also asked how companies could improve their investor relations. As might be expected, they agreed on wanting ever more information, particularly financial disclosure, on a more regular basis.

In addition, they wanted faster reporting, with adequate warning of result dates. Companies, they said, should make more use of the Internet, as a means of granting more access. They should also concentrate on helping analysts understand the business, not merely hand out raw data for use in spreadsheets.

More generally, they commented that companies should place more emphasis on shareholder value. This leads naturally to another question put to them in the survey: on which criteria do they most rely when recommending companies to clients?

The answers were in one sense traditional. First, analysts used conventional financial measures, such as growth trends in earnings per share, return on equity and return on investments and acquisitions.

They combined those with more subjective assessments of management. Can a company deliver a consistent long-term strategy? Does it have a sound competitive position? Does the company focus on markets with clearly identifiable potential? Is it capable of initiating change within its industry?

But although analysts paid lip service to the goal of shareholder value, only a minority – around a quarter – were interested in economic value added and other ways of measuring return against the cost of capital.

Granted, one analyst made the fundamental point that managers should understand that capital has a cost. But as another wrote, "shareholder value is still a less common concept in Europe than in the US".

This was changing, he added. "In certain companies we are starting to see a divergence in performance, as with BP's strong share price."

It is perhaps significant that this has been mirrored in BP's rising reputation with European executives. But for bulls of Europe's stock markets, there is an important message here. The concept of shareholder value is making headway in European corporations, but it still has further to go.

Sector nominations by analysts

Sectors – unweighted and unranked

Auto, aero engineering	
Daimler-Benz	Germany
Valeo	France
Volkswagen	Germany
Chemical, rubber, plastics	
BASF	Germany
Bayer	Germany
Hoechst	Germany
Construction, property	
Amec	UK
CRH	Ireland
Holderbank	Switzerland
Electronics, electrical components	
Ericsson	Sweden
Engineering, metals	
ABB	Sweden/Switzerland
Siebe	UK
TT Group	UK
Health, household	
Novartis	Switzerland
Roche	Switzerland
SmithKline Beecham	UK
Insurance	
Aegon	Netherlands
ING	Netherlands
Zurich	Switzerland
Oil, gas, mining	
BP	UK
Elf Aquitaine	France
Royal Dutch/Shell	Netherlands/UK
Total	France
Retail, distribution	
Ahold	Netherlands
Carrefour	France
Marks & Spencer	UK